



Scrutiny Committee

Members are invited to a **Meeting of the Scrutiny Committee** to be held in the Deben Conference Room, East Suffolk House, Melton on **Thursday, 18 January 2024 at 6.30pm**

This meeting will be broadcast to the public via the East Suffolk YouTube Channel at <https://youtube.com/live/iwkFXFJ0HRg?feature=share>

Members:

Councillor Mike Deacon (Chair), Councillor Dan Clery (Vice-Chair), Councillor Edward Back, Councillor Seamus Bennett, Councillor Amanda Folley, Councillor Louise Gooch, Councillor Owen Grey, Councillor Mark Jepson, Councillor Geoff Lynch, Councillor Stephen Molyneux, Councillor Sally Noble, Councillor Sarah Plummer, Councillor Ed Thompson.

An Agenda is set out below.

	Pages
Part One – Open to the Public	
1 Apologies for Absence and Substitutions	
2 Declarations of Interest Members and Officers are invited to make any declarations of interests, and the nature of that interest, that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.	
3 Capital Programme 2023/24 to 2027/28 ES/1819 Report of the Cabinet Member with responsibility for Resources and Value for Money.	1 - 23
4 Housing Revenue Account (HRA) Budget 2024/25 to 2027/28 ES/1820 Report of the Cabinet Member with responsibility for Resources and Value for Money.	24 - 51
5 Draft General Fund Budget and Council Tax 2024-25 ES/1818 Report of the Cabinet Member with responsibility for Resources and Value for Money.	52 - 115

Part One – Open to the Public

Pages

6 Cabinet Member Scrutiny Session

To receive an update from Councillor Vince Langdon-Morris, the Cabinet Member with responsibility for Resources and Value for Money in relation to the direction of travel for the services within his portfolio.

7 Scrutiny Committee's Forward Work Programme

To receive any updates in relation to the Committee's Work Programme.

Part Two – Exempt/Confidential

Pages

There are no Exempt or Confidential items for this Agenda.

Close



Chris Bally, Chief Executive

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SCRUTINY COMMITTEE
Thursday, 18 January 2024

Subject	Capital Programme 2023/24 to 2027/28
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with responsibility for Resources and Value for Money
Report Author(s)	Julian Sturman Specialist Accountant – Capital & Treasury Management julian.sturman@eastsoffolk.gov.uk
Head of Service	Lorraine Rogers Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsoffolk.gov.uk
Director	Chris Bally Chief Executive chris.bally@eastsoffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

As part of the budget setting process, the Council is required to agree a programme of capital expenditure for the coming four years. The capital programme plays an important part in the delivery of the Council's Medium-Term Financial Strategy (MTFS), which in turn supports wider service delivery. The report sets out the Council's capital programme including revisions to the current programme for the financial years 2023/24 to 2027/28. This report also forms the basis of Scrutiny Committee's review of the Budget at its meeting on 18 January 2024 as required under the Budget and Policy Framework.

Options:

The capital programme forms part of the Council's Budget and Policy Framework. The Council is required to set an annual budget and therefore no other options have been considered.

Recommendation/s:

That the Scrutiny Committee reviews and makes recommendations to Cabinet on the following Cabinet recommendations to Full Council:

1. Approve the General Fund capital programme for 2023/24 to 2027/28 including revisions as shown in **Appendix B**.
2. Approve the Housing Revenue Account capital programme for 2023/24 to 2027/28 including revisions as shown in **Appendix G**.

Corporate Impact Assessment

Governance:

As set out in the Council's Financial Procedure Rules, the Chief Finance Officer is responsible for preparing and submitting capital budgets to Cabinet and Council.

The 2023/24 budget has/will be considered at the following Council meetings:

- Cabinet 2 January 2024
- Scrutiny Committee 18 January 2024
- Cabinet 6 February 2024
- Full Council 21 February 2024

ESC policies and strategies that directly apply to the proposal:

- East Suffolk Council Strategic Plan
- East Suffolk Council Medium Term Financial Strategy
- East Suffolk Council Treasury Management Strategy and Treasury Management Policy
- East Suffolk Council Capital Strategy
- Annual Governance Statement
- Financial Procedure Rules

Environmental:

All projects in the Programme are intended to contribute to the Strategic Plan Priority of environmental impact.

Equalities and Diversity:

No direct impact from this report. Where subsequent individual business cases are presented, Equality Impact Assessments are prepared.

Financial:

All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves, and capital receipts) or debt (borrowing and leasing). Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "Minimum Revenue Provision" (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP. The CFR is expected to increase by £156.94m between 2023/24 and 2027/28 which is due to capital projects being financed through borrowing. Statutory guidance is that debt should remain below the CFR.

The Council expects to comply with this in the medium term, but the scale of the capital programme as currently drafted is such that the Council would begin to approach its borrowing limits over the life of the proposed programme if other sources of finance were not available. The programme as presented does not pre-empt the realisation of capital receipts and only those receipts already received will be used as financing.

In addition, external funding is expected to be secured in respect of other major projects in the Programme, assisting the overall position and the ability of the Council to deliver on its Strategic Plan.

Human Resources:

No impacts directly arising from this report.

ICT:

No impacts directly arising from this report.

Legal:

No impacts directly arising from this report.

Risk:

No impact directly arising from this report.

External Consultees:

External consultation has been conducted on a range of individual projects and programmes within the overall Capital Programme, and a number of programmes such as the Lowestoft Flood Risk Management Project and the Lowestoft Town Investment Plan feature programme boards which include key external stakeholders as part of their governance arrangements.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being, and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input checked="" type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected?			
The Capital programme forms part of the Council's Budget and Policy Framework and outlines the Council's capital investment in the assets, services, and infrastructure of the district in accordance with the key priorities and objectives of the Strategic Plan.			

Background and Justification for Recommendation

1 Background facts	
1.1	<p>The Capital programme feeds directly into the Council's MTFS which in turn is the mechanism by which the key Strategic Plan objective of Financial Sustainability will be delivered over the medium term. The Capital programme contributes directly to the Council's specific actions within the Strategic Plan and identifies the financing for these projects.</p>
2 Current position	
2.1	<p>Capital expenditure within the Council is split into two main components, the General Fund Capital programme, and the Housing Revenue Account (HRA) Capital programme.</p> <p>The capital programme has been compiled taking account of the following main principles, to:</p> <ul style="list-style-type: none">• maintain an affordable four-year rolling capital programme.• ensure capital resources are aligned with the Council's Strategic Plan,• maximise available resources by actively seeking external funding and disposal of surplus assets; and• not to anticipate receipts from disposals until they are realised
2.2	<p>General Fund Capital Programme Summary</p> <p>Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset.</p> <p>Following the review and revisions to programme by project officers the revised capital programme has been reviewed by the Corporate Leadership Team (CLT) along with the Chief Finance Officer and is presented at:</p> <ul style="list-style-type: none">• Appendix A: - General Fund Capital Programme 2023/24 to 2027/28 Summary, shows a summary of the capital programme and planned financing.• Appendix B: - General Fund Capital Programme Revisions 2023/24 to 2027/28, shows budget revisions to previously approved projects.• Appendix C: - General Fund Capital Programme 2023/24 to 2027/28 extract of budget increases greater than £0.5m and budget decreases greater than £0.5m.• Appendix D: - General Fund Capital Programme 2023/24 to 2027/28 new projects, shows the new projects being recommended for approval and inclusion within the existing programme as shown in Appendix B.• Appendix E: - General Fund Capital Programme 2023/24 to 2027/28 extract of externally funded projects, is an extract of the programme showing all projects which are subject to external grants/contributions.

2.3	<p>The General Fund capital programme for 2023/24 through to 2027/28 has a total financing requirement of £329.03m which will be financed through both internal and external resources.</p> <p>The programme from 2023/24 to 2027/28 benefits from £211.08m (64%) of external grants and contributions, the use of £13.85m (4%) of reserves and internal/external borrowing of £104.10m (32%).</p> <p>Where projects have identified external funding, if this is not secured then those projects will look to secure other funding or will not be pursued. Similarly, where projects require significant borrowing in excess of £3m, these will require robust business cases to underpin the investment. The project business case should be presented to Council for approval prior to the borrowing being secured.</p> <p>Housing Revenue Account (HRA) Capital Programme Summary</p> <p>Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset.</p> <ul style="list-style-type: none"> • Appendix F: - HRA Capital Programme 2023/24 to 2027/28 Summary shows a summary of the capital programme and planned financing. • Appendix G: - HRA Capital Programme 2023/24 to 2027/28, shows an update to the HRA capital budgets. <p>The HRA capital programme for 2023/24 through to 2027/28 has a total budget requirement £81.94m which will be financed through both internal and external resources.</p> <p>The programme from 2023/24 to 2027/28 relies upon £8.74m (11%) of external grants and contributions, the use of £38.07m (46%) of capital reserves, direct revenue financing (HRA) of £19.35m (24%) and £15.79m (19%) of capital receipts.</p>
2.4	<p>Approval of the capital programme by Full Council is an authority for Council officers to enter into contracts and incur expenditure up to the approved budget amounts and where applicable, secure external funding.</p>

<h3>3 How to address current situation</h3>	
3.1	<p>The General Fund capital programme has previously been approved by Full Council on 22 February 2023 and has been updated to reflect the most current required budget and are fully detailed in the appendices to this report.</p>
3.2	<p>New General Fund capital projects have been identified as part of the budget setting process and the required new capital budget request process review has been undertaken. These projects are shown in Appendix C.</p>
3.3	<p>The HRA capital programme has previously been approved by Full Council on 22 February 2023 and has been updated to reflect the most current required budget and are fully detailed in the appendices to this report.</p>

4 Reason/s for recommendation

4.1	The Budget and Policy Framework within the Council's constitution requires the Scrutiny Committee to review the Council's budget, including the capital programme, prior to it being presented to Cabinet and Full Council for approval.
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Appendices

Appendices:	
Appendix A	General Fund Capital Programme 2023/24 to 2027/28 Summary
Appendix B	General Fund Capital Programme Revisions 2023/24 to 2027/28
Appendix C	General Fund Capital Programme 2023/24 to 2027/28 extract of budget increases greater than £0.50m and budget decreases greater than £0.50m.
Appendix D	General Fund Capital Programme 2023/24 to 2027/28 New Projects
Appendix E	General Fund Capital Programme 2023/24 to 2027/28 Extract of Externally Funded Projects
Appendix F	HRA Capital Programme 2023/24 to 2027/28 Summary
Appendix G	HRA Capital Programme 2023/24 to 2027/28

Background reference papers:		
Date	Type	Available From
	None	

General Fund Capital Programme 2023/24 to 2027/28 Summary

SUMMARY - GENERAL FUND PROGRAMME	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	2023/24	2023/24
	£000 Original Budget	£000 Revised Budget	£000 Original Budget	£000 Revised Budget	£000 Original Budget	£000 Revised Budget	£000 Original Budget	£000 Revised Budget	£000 New Budget	to 2026/27 £000 Original Total	to 2027/28 £000 Revised Total
MHCLG Grant Funding to Freeport East via ESC as Accountable Body	19,810	0	4,940	0	0	0	0	0	0	24,750	0
Communities, Leisure & Tourism	8,700	1,936	21,500	5,671	21,500	22,850	0	24,841	0	51,700	55,298
Corporate Services (formerly ICT - Digital & Programme Management)	875	796	250	887	250	250	250	250	500	1,625	2,683
Corporate Services (formerly Operations)	29,105	17,505	12,988	13,320	1,280	4,960	1,280	1,930	1,930	44,653	39,645
Economic Development & Transport	14,363	5,651	8,782	21,777	22,849	18,498	0	909	0	45,994	46,835
Community Health (formerly Environmental Services & Port Health)	484	485	50	50	0	0	0	0	0	534	535
Resources & Value for Money (Formerly Financial Services)	0	400	0	315	0	0	0	0	0	0	715
Resources & Value for Money (Formerly General Fund Housing)	3,690	2,594	1,000	2,207	1,000	2,194	1,000	2,182	2,171	6,690	11,348
Resources & Value for Money - Long Term Debtors	5,000	0	0	0	0	0	0	0	0	5,000	0
Planning & Coastal Management	31,084	17,367	36,749	32,367	36,175	36,175	85,885	85,885	175	189,893	171,969
Total Capital Expenditure	113,111	46,734	86,259	76,594	83,054	84,927	88,415	115,997	4,776	370,839	329,028
Financed By:-											
Internal resources - reserves	6,309	7,229	1,350	2,637	800	1,250	800	1,250	1,500	9,259	13,866
Internal resources - borrowing	35,630	16,485	29,863	23,059	31,155	36,799	905	26,635	1,105	97,553	104,083
Grants	71,172	23,020	55,046	50,898	51,099	46,878	86,710	88,112	2,171	264,027	211,079
Total Financing	113,111	46,734	86,259	76,594	83,054	84,927	88,415	115,997	4,776	370,839	329,028

General Fund Capital Programme Revisions 2023/24 to 2027/28

MHCLG GRANT FUNDING TO FREEPORT EAST (via ESC as Accountable Body)	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Harwich	5,600	0	1,400	0	0	0	0	0	0	EG
Felixstowe	8,460	0	3,540	0	0	0	0	0	0	EG
Gateway 14	5,750	0	0	0	0	0	0	0	0	EG

Total Capital Expenditure	19,810	0	4,940	0	0	0	0	0	0
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0
Internal resources - borrowing	0	0	0	0	0	0	0	0	0
Grants/contributions	19,810	0	4,940	0	0	0	0	0	0
	19,810	0	4,940	0	0	0	0	0	0

Project	Description
Harwich	Central Government Grant Funding to Freeport East via Principle (East Suffolk Council)
Felixstowe	Central Government Grant Funding to Freeport East via Principle (East Suffolk Council)
Gateway 14	Central Government Grant Funding to Freeport East via Principle (East Suffolk Council)

Funding Type Key:

CR Capital Receipt	EG External Grant
EB External Borrowing	ER Earmarked Reserve
EC External Contribution	IB Internal Borrowing

COMMUNITIES, LEISURE & TOURISM	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Felixstowe North - Garden Neighbourhood Regeneration Project (Leisure Centre)	1,000	0	16,500	1,000	17,500	16,500	0	17,500	0	EB
Felixstowe North - Garden Neighbourhood Regeneration Project (Leisure Centre Land Purchase & Access Road)	5,000	500	3,000	1,456	0	4,000	0	2,991	0	EB
Felixstowe North - Garden Neighbourhood Regeneration Project (Infrastructure)	0	0	2,000	0	4,000	2,000	0	4,000	0	EB
Felixstowe Sports Hub	0	250	0	0	0	250	0	250	0	IB
Deben Fields (Former Deben High School) Felixstowe (BC)	2,200	500	0	2,850	0	0	0	0	0	IB
Leisure Centres (South)	500	550	0	315	0	100	0	100	0	IB
Leisure Centre Lowestoft (Roof)	0	41	0	50	0	0	0	0	0	IB
Leisure Centres - Pool Covers	0	95	0	0	0	0	0	0	0	IB

Total Capital Expenditure	8,700	1,936	21,500	5,671	21,500	22,850	0	24,841	0
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0
Internal resources - borrowing	8,700	1,936	21,500	5,671	21,500	22,850	0	24,841	0
Grants/contributions	0	0	0	0	0	0	0	0	0
	8,700	1,936	21,500	5,671	21,500	22,850	0	24,841	0

Project	Description
Felixstowe North - Garden Neighbourhood Regeneration Project (Leisure Centre)	Provision of new leisure centre site including purchase of site and access road
Felixstowe North - Garden Neighbourhood Regeneration Project (Infrastructure)	Infrastructure development to enable housing development
Felixstowe Seafront Gardens Handrailing	Installation of handrailing
Felixstowe Sports Hub	ESC is working with key sports clubs in Felixstowe including, football, cricket, rugby and hockey in order to provide separate hubs in Felixstowe that each sport can develop and grow.
Deben Fields (BC)	Site Leisure provision
Leisure Centres South	Planned preventative maintenance works required to ensure the immediate running of the facility.
Leisure Centre Lowestoft (Roof)	Refurbishment of Leisure Centre roof to enhance the life of the asset and to protect against water ingress
Leisure Centre Pool Covers	Pool covers to increase energy efficiency and reduce loss of heat

CORPORATE SERVICES (formerly Digital & Programme Management)	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Corporate IT Requirements	450	571	250	350	250	250	250	250	500	ER
ESSL ICT	100	200	0	237	0	0	0	0	0	ER
CCTV replacement	325	25	0	300	0	0	0	0	0	IB

Total Capital Expenditure	875	796	250	887	250	250	250	250	500
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Financed By:-

Internal resources - Reserves	550	771	250	587	250	250	250	250	500
Internal resources - borrowing	325	25	0	300	0	0	0	0	0
Grants/contributions	0	0	0	0	0	0	0	0	0
	875	796	250	887	250	250	250	250	500

Project	Description
Corporate IT Requirements	Corporate refresh of hardware and updating of current systems
ESSL ICT	Purchase of hardware systems for ESSL use
CCTV	Safer Streets initiative

CORPORATE SERVICES (formerly Operations)	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Bath Tap Chalets, Felixstowe	500	100	0	400	0	0	0	0	0	IB
Cemeteries	380	88	0	300	0	0	0	0	0	IB
Cliff House, Felixstowe	900	194	0	800	0	0	0	0	0	IB
East Point Pavilion	0	100	0	95	0	0	0	0	0	IB
Estates Management	500	1,650	500	750	500	500	500	500	500	IB
Felixstowe Beach Village	1,500	1,589	0	0	0	0	0	0	0	IB
Felixstowe Ferry Car Park	150	150	0	50	0	0	0	0	0	IB
Felixstowe Garrison Lane Car Park	0	20	0	0	0	0	0	0	0	IB
Felixstowe Lighting	250	5	0	245	0	0	0	0	0	IB
Felixstowe Seafront Gardens Handrailing	0	5	0	10	0	0	0	0	0	IB
Felixstowe South - Public Realm and Martello Tower	2,000	0	2,000	1,000	0	2,980	0	0	0	IB
Fishing Hut Felixstowe	0	21	0	0	0	0	0	0	0	ER
Footway Lighting Works - Northern (cyclical replacement)	30	30	30	30	30	30	30	30	30	IB
Deben Fields (Former Deben High School) Felixstowe	500	50	0	0	0	0	0	0	0	IB
Lowestoft Beach Hut Block 2 to 5	100	0	0	20	0	0	0	0	0	IB
Lowestoft Victoria Terrace	150	75	0	75	0	0	0	0	0	IB
Lowestoft - car park enhancement (BCMC)	600	0	0	600	0	0	0	0	0	IB
Lowestoft - Property Purchase Hamilton Road	0	1,200	0	0	0	0	0	0	0	IB
Lowestoft - Property Wilde Street	0	750	0	0	0	0	0	0	0	IB
Newcombe Road Lowestoft	1,900	1,951	2,000	2,261	0	0	0	0	0	EB
Car Park Works	600	200	0	194	0	50	0	0	0	IB
Orford Road Felixstowe Access Ramp	0	6	0	0	0	0	0	0	0	IB
Play Areas (District wide)	300	200	200	200	200	200	200	200	200	IB
Public Conveniences Programme	500	285	0	725	0	0	0	0	0	IB
Railway Building - Lowestoft	1,700	500	308	1,540	0	0	0	0	0	EB
Ravine (Jubilee) Bridge	400	442	0	25	0	0	0	0	0	IB
Rotterdam Road Roof	300	405	0	0	0	0	0	0	0	IB
Seafront Gardens Beach Hut Sites & Relocations	0	495	0	0	0	0	0	0	0	IB
Southwold Caravan Site redevelopment	1,400	48	0	1,500	0	0	0	0	0	EB
Southwold Enterprise Hub	0	625	0	0	0	0	0	0	0	IB
Southwold Harbour Improvements	320	150	0	150	0	0	0	0	0	IB
Southwold Harbour - Visitor Moorings	100	150	900	0	0	0	0	0	0	IB
Southwold Harbour South Pier	6,000	0	6,000	0	0	0	0	0	0	EG
St Marys Church Woodbridge - Wall	0	4	0	140	0	0	0	0	0	IB

Operational Grounds Equipment	25	0	25	0	25	0	25	0	0	ER
Operational Vehicles/Equipment/Grounds Equipment/Assets	5,250	5,952	1,025	2,000	525	1,000	525	1,000	1,000	ER/CR/IB
Wheelie Bin purchase	0	0	0	200	0	200	0	200	200	IB
Barnards Way, Lowestoft	2,750	20	0	0	0	0	0	0	0	IB
Council Offices Leiston	0	20	0	0	0	0	0	0	0	IB
Woodbridge Model Boat Pond	0	25	0	0	0	0	0	0	0	IB

Total Capital Expenditure	29,105	17,505	12,988	13,320	1,280	4,960	1,280	1,930	1,930
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Financed By:-

Internal resources - Reserves	5,275	5,973	1,050	2,000	550	1,000	550	1,000	1,000
Internal resources - borrowing	17,830	11,532	5,938	11,320	730	3,960	730	930	930
Grants/contributions	6,000	0	6,000	0	0	0	0	0	0
	29,105	17,505	12,988	13,320	1,280	4,960	1,280	1,930	1,930

Project	Description
Bath Tap Chalets, Felixstowe	Structural works and refurbishment
Bawdsey Quay	Sewage system, clearance of car park and signage works
Cemeteries	Provision for Cemetery improvements across the district
Cliff House, Felixstowe	Development of site
East Point Pavilion	Redevelopment of the East Point Pavilion complex
Estates Management	A planned preventative maintenance list of works required on Council owned properties throughout the district
Felixstowe Beach Village	Construction and development of Felixstowe Beach Village
Felixstowe Ferry Car Park	Enhancement of site and sewage system
Felixstowe Garrison Lane Car Park	Enhancement of site
Felixstowe Lighting	Cyclical replacement of footway lighting
Felixstowe Seafront Gardens Handrailing	Installation of handrailing
Felixstowe South - Public Realm and Martello Tower	Development of South Seafront area and Martello Café Felixstowe
Fishing Hut Felixstowe	Rebuilding of fishing hut next to Felixstowe Pier that burnt down in 2019
Footway Lighting Works - Northern (cyclical replacement)	Cyclical replacement of footway lighting
Deben Fields	Purchase and development of former school site
Lowestoft Beach Hut Block 2 to 5	Replacement of beach hut wooden frontage
Lowestoft Victoria Terrace	Works on Victoria Terrace Beach Huts structure
Lowestoft Car Park enhancement (BCMS)	Enhancement works to car park
Lowestoft Hamilton Road	Purchase of site for regeneration
Lowestoft Wilde Street	Purchase of site for regeneration
Newcombe Road Lowestoft Car Park Works	Redevelopment of site to provide start up units Planned preventative maintenance works
Orford Road Felixstowe Access Ramp	Replacement of disabled access ramp near new café site
Play Areas (District wide)	Upgrade and refurbishment of district wide play areas
Public Conveniences Programme	Upgrade and refurbishment of district wide public conveniences
Railway Building - Lowestoft	Purchase and development of building contained within the Railway site
Ravine Bridge	Structural works and refurbishment works to part owned bridge
Rotterdam Road Roof	Replacement section of Rotterdam Road Depot Roof
Seafront Gardens Beach Hut Development	Development of Seafront Gardens site for new beach huts
Southwold Caravan Site redevelopment	Refurbishment of existing caravan site
Southwold Enterprise Hub	Capital investment
Southwold Harbour Improvements	Improvements to site

Operational Vehicles/Equipment	Purchase of Vehicles for operational use
Wheelie Bins purchase	Purchase of bins
Barnards Way, Lowestoft	8300m2 of undeveloped ESC land. Develop site for small industrial units including Service delivery of ESC services
Council Offices Leiston	Refurbishment to the fabric of the building to meet H&S requirement and to ensure asset remains watertight
Woodbridge Model Boat Pond	Refurbishment of model boat pond boundary posts and water treatment system

ECONOMIC DEVELOPMENT & TRANSPORT	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Towns Fund - Cultural Quarter (Phase 1)	3,690	285	5,160	8,554	15,220	15,035	0	476	0	EG/IB
Towns Fund -Station Quarter (Former Post & Sorting Office Inc. Sculpture)	2,300	340	1,000	3,035	0	127	0	433	0	EG/IB
Towns Fund - Historic Quarter	715	438	710	3,098	5,930	3,236	0	0	0	EG
Towns Fund - Port Gateway Improvement Project	2,470	2,469	145	181	0	0	0	0	0	EG
Towns Fund - Seafront Vision Delivery	719	801	470	747	0	0	0	0	0	EG
UKSPF	369	485	1,197	1,529	1,599	0	0	0	0	EG
Partnership Scheme in Conservation Areas (PSiCA).	100	0	100	200	100	100	0	0	0	EG
LUF - Seafront (Phase 3 BH)	4,000	833	0	4,433	0	0	0	0	0	IB/EG

Total Capital Expenditure	14,363	5,651	8,782	21,777	22,849	18,498	0	909	0
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0
Internal resources - borrowing	3,600	1,712	2,250	2,660	8,750	9,814	0	689	0
Grants/contributions	10,763	3,939	6,532	19,117	14,099	8,684	0	220	0
	14,363	5,651	8,782	21,777	22,849	18,498	0	909	0

Project	Description
Towns Fund	Towns Fund Grant investment of £24.9m in projects to regenerate the town, driving economic growth and acting as a catalyst for future investment, rising to £35.9m with the addition of matched funding (subject to ESC business case)
UKSPF	UK Shared Prosperity and Rural England Prosperity Funds - grant funding will support communities and place, supporting local business and people and skills
Partnership Scheme in Conservation Areas (PSiCA).	Partnership Scheme in Conservation Areas - grant available for capital projects in conservation areas
LUF - Seafront (Phase 3 BH)	Government Levelling Up Fund to support the continued investment and regeneration of Lowestoft Seafront

COMMUNITY HEALTH (formerly Environmental Services & Port Health)	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Port Health	484	485	50	50	0	0	0	0	0	ER

Total Capital Expenditure	484	485	50	50	0	0	0	0	0	
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Financed By:-

Internal resources - Reserves	484	485	50	50	0	0	0	0	0	
Internal resources - borrowing	0	0	0	0	0	0	0	0	0	
Grants/contributions	0	0	0	0	0	0	0	0	0	
	484	485	50	50	0	0	0	0	0	

Project	Description
Port Health	Capital expenditure for the function of the Port Health Service

RESOURCES & VALUE FOR MONEY (formerly Financial Services)	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Romany Lane (previously STTS)	0	400	0	315	0	0	0	0	0	IB

Total Capital Expenditure	0	400	0	315	0	0	0	0	0	
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0	
Internal resources - borrowing	0	400	0	315	0	0	0	0	0	
Grants/contributions	0	0	0	0	0	0	0	0	0	
	0	400	0	315	0	0	0	0	0	

Project	Description
Romany Lane (previously STTS)	Remedial and improvement works to the Romany Lane site

RESOURCES & VALUE FOR MONEY (formerly General Fund Housing)	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Disabled Facilities Grant	1,000	2,594	1,000	2,207	1,000	2,194	1,000	2,182	2,171	EG
Local Authority Housing Fund (LAHF)	2,690	0	0	0	0	0	0	0	0	EG

Total Capital Expenditure	3,690	2,594	1,000	2,207	1,000	2,194	1,000	2,182	2,171	
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0	
Internal resources - borrowing	0	0	0	0	0	0	0	0	0	
Grants/contributions	3,690	2,594	1,000	2,207	1,000	2,194	1,000	2,182	2,171	
	3,690	2,594	1,000	2,207	1,000	2,194	1,000	2,182	2,171	

Project	Description
Disabled Facilities Grant	HIA Disabled Facilities Grant works
Local Authority Housing Fund (LAHF)	Central Government General Fund Housing Scheme

RESOURCES & VALUE FOR MONEY - LONG TERM DEBTORS	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
LATCO - Loan funding	5,000	0	0	0	0	0	0	0	0	IB

Total Capital Expenditure	5,000	0	0	0	0	0	0	0	0	
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0	
Internal resources - borrowing	5,000	0	0	0	0	0	0	0	0	
Grants/contributions	0	0	0	0	0	0	0	0	0	
	5,000	0	0	0	0	0	0	0	0	

Project	Description
LATCO	Loan to the LATCO for investment purposes

PLANNING & COASTAL MANAGEMENT	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	Funding Type
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget	
Coast Protection - Minor Capital Works	175	275	175	240	175	175	175	175	175	IB
Navigation Markers	0	0	0	300	0	0	0	0	0	IB
North Denes Promenade	0	0	0	200	0	0	0	0	0	IB
Corton & North Corton Hybrid Scheme	7,000	0	7,000	0	0	0	0	0	0	EG
Lowestoft Flood Risk Management Project Phase 1 (Tidal Walls, Pluvial & Fluvial)	4,000	5,470	0	0	0	0	0	0	0	EG
Lowestoft Flood Risk Management Project Phase 2 (Tidal Gate) *	10,809	11,017	29,574	29,574	36,000	36,000	85,710	85,710	0	EG
Southwold Harbour Fender	0	0	0	53	0	0	0	0	0	IB/EG
Southwold Harbour North Wall (Phase 1 & 2)	0	605	0	2,000	0	0	0	0	0	ER/IB
Resilient Coasts Project	9,100	0	0	0	0	0	0	0	0	EG

Total Capital Expenditure	31,084	17,367	36,749	32,367	36,175	36,175	85,885	85,885	175	
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Financed By:-

Internal resources - Reserves	0	0	0	0	0	0	0	0	0	
Internal resources - borrowing	175	880	175	2,793	175	175	175	175	175	
Grants/contributions	30,909	16,487	36,574	29,574	36,000	36,000	85,710	85,710	0	
	31,084	17,367	36,749	32,367	36,175	36,175	85,885	85,885	175	

Project	Description
Coast Protection - Minor Capital Works	The Coastal Management Team carries out a comprehensive programme of inspections which highlight when repair and maintenance works need to be carried out. This ensures that the defences are functioning correctly, extends the life of the assets and protects the public from potential hazards.
Navigation Markers	Replacement Sea Navigation Markers
North Denes Promenade	Safety works to promenade surface
Corton & North Corton Hybrid Scheme	This item is for ESC contribution to privately funded works to part remove and part rebuild in rock, defences to the north of Corton Village that were abandoned after failure in line with 2010 Shoreline Management Plan policy, plus allow managed realignment to take place to north of village, creating a new beach
Lowestoft Flood Risk Management Project Phase 1 & 2	A major project to construct a permanent tidal wall which will be built around the harbour to protect Lowestoft from future tidal surges, with a tidal gate located near to the Bascule Bridge to prevent surge

Southwold Harbour Fender	Southwold Harbour fender remedial works following damage to the fender which was originally constructed in 1992 as set out in the 3rd November 2020 Cabinet report
Southwold Harbour North Wall Phase 1 & 2	Urgent works needed to the Southwold North seawall to ensure its stability and is not breached.
Resilient Coast Projects	Flood and Coastal Resilience Innovation Programme funded by the Environment Agency

	2023/24 £000	2023/24 £000	2024/25 £000	2024/25 £000	2025/26 £000	2025/26 £000	2026/27 £000	2026/27 £000	2027/28 £000
	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	Original Budget	Revised Budget	New Budget
Total Capital Expenditure	113,111	46,734	86,259	76,594	83,054	84,927	88,415	115,997	4,776
Financed By:-									
Internal resources - Reserves	6,309	7,229	1,350	2,637	800	1,250	800	1,250	1,500
Internal resources - borrowing	35,630	16,485	29,863	23,059	31,155	36,799	905	26,635	1,105
Grants/contributions	71,172	23,020	55,046	50,898	51,099	46,878	86,710	88,112	2,171
	113,111	46,734	86,259	76,594	83,054	84,927	88,415	115,997	4,776

Appendix C

2023/24 to 2027/28 - BUDGET INCREASES ABOVE £0.50M	Current Budget £000	Revised Budget 2023-24 to 2027-28 £000	Variance £000	Funding Type
Deben Fields (Former Deben High School) Felixstowe -Leisure Facility	2,350	3,350	1,000	IB
Disabled Facilities Grants	5,000	11,348	6,348	EG
Estates Management	2,493	3,400	907	IB
Felixstowe Sports Hub	135	750	615	IB
LUF - Seafront (Phase 3 BH)	4,600	5,266	666	IB/EG
Operational Vehicles/Equipment/Grounds Equipment/Assets	8,552	10,952	2,400	ER/CR/IB
Southwold Harbour North Wall Phase 2	462	2,605	2,143	IB
Totals	23,592	37,671	14,079	

2023/24 to 2027/28 - BUDGET DECREASES ABOVE £0.50M	Current Budget 2023-24 to 2027-28 £000	Revised Budget 2023-24 to 2027-28 £000	Variance £000	Funding Type
MHCLG Funding to Freeport East via ESC as Accountable Body - Harwich	7,000	0	-7,000	EG
MHCLG Funding to Freeport East via ESC as Accountable Body - Felixstowe	12,000	0	-12,000	EG
MHCLG Funding to Freeport East via ESC as Accountable Body - Gateway 14	6,000	0	-6,000	EG
Southwold Harbour South Pier	6,200	0	-6,200	EG
Barnards Way, Lowestoft	3,000	20	-2,980	IB
Local Authority Housing Fund (LAHF)	2,690	0	-2,690	EG
LATCO - Loan funding	5,000	0	-5,000	IB
Corton & North Corton Hybrid Scheme	7,000	0	-7,000	EG
Thorpeness (Externally Funded)	3,300	0	-3,300	EG
Resilient Coasts Project	9,004	0	-9,004	EG/IR
Totals	61,194	20	-61,174	

General Fund Capital Programme 2023/24 to 2027/28 New Projects

2023/24 to 2027/28 NEW PROJECTS	2023/24 £000 Original Budget	2023/24 £000 Revised Budget	2024/25 £000 Original Budget	2024/25 £000 Revised Budget	2025/26 £000 Original Budget	2025/26 £000 Revised Budget	2026/27 £000 Original Budget	2026/27 £000 Revised Budget	2027/28 £000 Original Budget	Funding Type
Lowestoft - Property Purchase Wilde Street	0	750	0	0	0	0	0	0	0	IB
Navigation Markers	0	0	0	300	0	0	0	0	0	IB
North Denes Promenade	0	0	0	200	0	0	0	0	0	IB
Wheelie Bin purchase	0	0	0	200	0	200	0	200	200	IB
Total Budgeted Expenditure	0	750	0	700	0	200	0	200	200	
Financed By:-										
Internal resources - Reserves	0	0	0	0	0	0	0	0	0	
Internal resources - borrowing	0	750	0	700	0	200	0	200	200	
Grants/contributions	0	0	0	0	0	0	0	0	0	
Total Financing	0	750	0	700	0	200	0	200	200	

General Fund Capital Programme 2023/24 to 2027/28
Extract of Externally Funded Projects

2023/24 to 2027/28 EXTERNALLY FUNDED PROJECTS	Total Budget 2023-24 to 2027-28 £000	External Funding £000	ESC Funding £000
Towns Fund - Cultural Quarter (Phase 1)	24,350	14,350	10,000
Towns Fund -Station Quarter (Former Post & Sorting Office)	3,935	2,935	1,000
Towns Fund - Historic Quarter	6,772	6,772	0
Towns Fund - Port Gateway Improvement Project	2,650	2,650	0
Towns Fund - Seafront Vision Delivery	1,548	1,548	0
UKSPF	2,014	2,014	0
Partnership Scheme in Conservation Areas (PSiCA).	300	300	0
LUF - Seafront (Phase 3 BH)	5,266	4,300	966
Disabled Facilities Grant	11,348	11,348	0
Lowestoft Flood Risk Management Project	167,771	167,771	0
Totals	225,954	213,988	11,966

HRA Capital Programme 2023/24 to 2027/28 Summary

SUMMARY - HRA PROGRAMME	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28	2023/24 to 2027/28 £000 Revised Total
	£000 Original Budget	£000 Revised Budget	£000 Original Budget	£000 Revised Budget	£000 Original Budget	£000 Revised Budget	£000 Original Budget	£000 Revised Budget	£000 New Budget	
Asset Investment	11,515	4,203	10,976	7,890	5,140	10,190	5,140	5,490	4,990	32,763
Acquisition & Development	15,929	9,816	9,282	21,178	7,000	7,479	7,000	6,523	4,183	49,179
Total Capital Expenditure	27,444	14,019	20,258	29,068	12,140	17,669	12,140	12,013	9,173	81,942
Financed By:-										
Internal resources - capital receipt	9,893	2,227	660	5,344	4,710	2,244	3,810	3,024	2,948	15,787
Internal resources - Housing Revenue Account	3,155	3,070	2,087	10,278	0	2,967	3,400	1,795	1,235	19,345
Internal resources - reserves	12,953	7,606	17,211	9,890	6,430	10,498	4,930	5,290	4,790	38,074
Grants	1,443	1,116	300	3,556	1,000	1,960	0	1,904	200	8,736
Total Financing	27,444	14,019	20,258	29,068	12,140	17,669	12,140	12,013	9,173	81,942

HRA Capital Programme 2023/24 to 2027/28

ASSET INVESTMENT	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28
	£000 Original	£000 Revised	£000 Original	£000 Revised	£000 Original	£000 Revised	£000 Original	£000 Revised	£000 Original
Bathrooms	200	200	200	100	200	100	200	150	150
Central Heating/Boilers	350	400	500	500	500	500	500	500	500
Consultancy Compliance requirements	480	1,158	0	1,170	0	750	0	750	250
Demolition	0	106	0	70	0	50	0	50	50
Disabled Works	180	70	180	180	180	180	180	180	180
Door entry & Warden Systems	100	348	0	0	0	0	0	0	0
Energy Efficiencies Work	100	100	500	100	500	100	500	100	100
Environmental Works	1	2	10	10	10	10	10	10	10
External Doors	10	50	20	250	20	250	20	250	250
Housing Redevelopment	2,357	0	0	2,100	1,000	0	1,000	0	0
Housing Repair Vans	0	112	500	200	210	200	210	200	200
Insulation	0	0	0	500	0	500	0	500	500
Kitchens - Programmed & Responsive	410	350	650	250	650	250	650	350	350
New accommodation Project	2,500	0	0	0	0	2,850	0	0	0
Reconversions	150	285	150	0	150	0	150	0	0
Re-Roofing	250	200	450	450	450	450	450	450	450
Retrofitting	2,400	0	2,700	500	1,000	500	1,000	500	500
Rewiring	300	250	250	250	250	250	250	250	250
Solar Panels	0	0	0	1,000	0	1,000	0	1,000	1,000
St Peters Court - Door replacement	276	484	0	0	0	0	0	0	0
St Peters Court - Fire Risk Compliance	378	75	0	0	0	0	0	0	0
St Peters Court - Internal Dec's	52	0	0	0	0	0	0	0	0
St Peters Court - Lift	600	3	0	0	0	0	0	0	0
St Peters Court - Remove Cladding & Change windows	140	0	4,846	0	0	0	0	0	0
St Peters Court - Shed area	50	0	0	0	0	0	0	0	0
St Peters Court - Sprinkler System	223	0	0	0	0	0	0	0	0
Windows & Facias	8	10	20	250	20	250	20	250	250
Total Budgeted Expenditure	11,515	4,203	10,976	7,890	5,140	10,190	5,140	5,490	4,990
Financed By :-									
Housing Capital Receipt	1,936	111	660	200	210	200	210	200	200
Housing Revenue Account	0	0	0	0	0	0	0	0	0
Housing Revenue Account Reserves	9,579	4,092	10,316	7,690	4,930	9,990	4,930	5,290	4,790
	11,515	4,203	10,976	7,890	5,140	10,190	5,140	5,490	4,990

Project	Description
Bathrooms	Replacement and improvements to bathrooms and layouts to the housing stock.
Central Heating/Boilers	A rolling programme has been established which provides replacement heating appliances, boilers and installation of full heating systems to the housing stock.
Demolition - Garage	Demolition of garages and construction of parking area
Disabled Works	These works provide disabled adaptations to the Council's housing stock to improve the living conditions of tenants, for example, the installation of flush floor showers, stairlifts etc.
Door Entry System - Park Road & The Hemplands	New door entry system
Energy Efficiency Works	Energy improvement works to properties, examples could be electrical improvements to blocks of flats to reduce energy consumption, more efficient heating systems, installation of over bath showers to reduce water usage etc.
Environmental Works	Works controlled by tenants for environmental improvements, examples could be additional estate parking, communal play improvements etc.
External Doors	A rolling programme provides replacement doors to the housing stock.
Housing Redevelopment	Redevelopment of identified sites for housing
Housing Repair Vans	Cyclical renewal of Housing vans
Insulation	Insulation improvement works including but not limited to loft and cavity wall top ups, virgin installs and associated works.
Kitchens - Programmed & Responsive	Replacement and improvements to kitchens and layouts to the housing stock.
New Accommodation Project	Fit for purpose accommodation for the Housing Team
Reconversions	example converting bedsits into 1 bed flats or adapting properties for specific needs of our tenants.
Re-Roofing	A rolling programme provides replacement roofs to the housing stock.
Retrofitting	This is unallocated budget specifically to contribute towards the energy efficiency of the HRA housing stock. As the stock condition surveys are completed, and works identified, this budget will be allocated to the specific requirements.
Rewiring	Rewiring to the housing stock.
Solar Panels	This is to investment in the instalment of new solar panels on appropriate housing stock to improve the energy efficiency of our tenants homes.
St Peters Court - Replacement Doors	Replacement door programme
St Peters Court - Fire Risk Compliance	Fire Assessment of the St Peters Court tower block
St Peters Court - Internal Dec's	Repair and renew internal services including redecoration
St Peters Court - Lift	Replacement of St Peters Court Lift

St Peters Court - Remove Cladding & Change windows	Removal of cladding and replacement of windows
St Peters Court - Shed area	Enhancement of shed area
St Peters Court - Sprinkler System	Installation of sprinkler system
Windows	A rolling programme provides replacement windows to the housing stock.

ACQUISITION AND DEVELOPMENT PROGRAMME	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Original	Revised	Original	Revised	Original	Revised	Original	Revised	Original
New builds	15,929	8,556	9,282	21,178	7,000	7,479	7,000	6,523	4,183
Acquisitions	0	1,260	0	0	0	0	0	0	0
Total Budgeted Expenditure	15,929	9,816	9,282	21,178	7,000	7,479	7,000	6,523	4,183
Financed By :-									
Housing Capital Receipt	7,957	2,116	0	5,144	4,500	2,044	3,600	2,824	2,748
Housing Revenue Account	3,155	3,070	2,087	10,278	0	2,967	3,400	1,795	1,235
Housing Revenue Account Reserves	3,374	3,514	6,895	2,200	1,500	508	0	0	0
External Funding	1,443	1,116	300	3,556	1,000	1,960	0	1,904	200
	15,929	9,816	9,282	21,178	7,000	7,479	7,000	6,523	4,183

Project	Description
New builds	Provision of new housing
Acquisitions	Purchase of Housing stock

	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27	2027/28
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Original	Revised	Original	Revised	Original	Revised	Original	Revised	Original
Programme Total	27,444	14,019	20,258	29,068	12,140	17,669	12,140	12,013	9,173



SCRUTINY COMMITTEE
Thursday, 18 January 2024

Subject	Housing Revenue Account (HRA) Budget 2024/25 to 2027/28
Cabinet Member	Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money Councillor David Beavan, Cabinet Member with responsibility for Housing and Deputy Leader
Report Author(s)	Amber Welham Finance Business Partner - Housing amber.welham@eastsoffolk.gov.uk
Head of Service	Lorraine Rogers Chief Finance Officer and Section 151 Officer lorraine.rogers@eastsoffolk.gov.uk
Director	Chris Bally Chief Executive chris.bally@eastsoffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable.
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report provides an opportunity for Scrutiny Committee to submit any comments to Cabinet on the proposed 2024/25 to 2027/28 Housing Revenue Account (HRA) budget, before making recommendations to Council on 21 February 2024 as required under the Budget and Policy Framework.

The report details how rents and service charges are determined, and the proposed increases for 2024/25 are set out for approval.

The report also notes changes in welfare and benefits and the impact of external and internal requirements which have been considered when completing the budgets, and rents and service charges for 2024/25.

Options:

HRA Budget Setting

The Housing Revenue Account Budget forms part of the Council's Budget and Policy Framework. The Council is required to set an annual budget and therefore no other options have been considered for this.

Rent Setting

Following four years of compulsory rent reduction, setting rents from 2020/21 below the maximum permitted under the Rent Standard is not recommended. However, the 2023/24 rents were set 1% below the Government cap of 7% to help alleviate financial pressures on our tenants. From 2024/25 it is not recommended to repeat this to ensure financial sustainability within the HRA.

The budgets work on the assumption of increasing rents by the September Consumer Price Index + 1% as per the Rent Standard. Government have not yet released any statements about imposing another rent cap, or how rents are to be set from 2025/26.

Recommendation/s:

That the Scrutiny Committee reviews and comments upon the Housing Revenue Account Budget Report and the Cabinet recommendations to Full Council as set out below:

1. The draft HRA budget for 2024/25, and the indicative figures for 2025/26 to 2027/28;
2. Movements in HRA Reserves and Balances;
3. Proposed rent increase of up to 7.7%. In line with the Rent Standard September 2023 CPI + 1%.
4. Service charges and associated fees for 2024/25;
5. Rent and Service Charges to be charged over a 51-week period unless being used for Temporary Accommodation when a 53-week period will be applied, due to 2024/25 being a 53-week year.

To note the following:

6. Projected outturn position for 2023/24;
7. Changes affecting public and private sector housing and welfare;
8. Effects of the cost-of-living crisis to the HRA.

Corporate Impact Assessment

Governance:

As set out in the Council's Financial Procedure Rules, the Chief Finance Officer is responsible for preparing and submitting reports on revenue budgets to Cabinet and Council.

The 2024/25 budget and the indicative figures for 2025/26 to 2027/28; will be considered at the following Council meetings:

- Cabinet 2 January 2024
- Scrutiny Committee 18 January 2024
- Cabinet 6 February 2024
- Full Council 21 February 2024

ESC policies and strategies that directly apply to the proposal:

The HRA budget directly supports the Council's aim of maintaining financial sustainability. With balanced budgets, and the ability to pay off its current debt, it demonstrates its ability to be financially self-sufficient. The following policies and strategies apply to the proposals of this report.

- East Suffolk Strategic Plan – Our Direction: 2028
- East Suffolk Medium Term Financial Strategy
- East Suffolk HRA Business Plan 2018-2048
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Financial Procedure Rules

Environmental:

Consideration has been given in the budget to progressing the Council's wider ambition to becoming a carbon neutral organisation. Budgets have been included within the HRA's capital programme for significant investment in its own stock to contribute towards this. This includes £1,000,000 per annum for instalment of solar panels where appropriate, £500,000 per annum replacing and improving windows and external doors, £500,000 for upgrades and replacement of loft and cavity wall insulation and associated works of properties, and a further contingency of £500,000 for other initiatives to help improve the energy efficiencies of the housing stock.

Stock condition surveys are currently being undertaken which will help with planned programmes of work to target energy efficiency within the housing stock.

The Social Housing (Regulation) Act 2023 received royal assent on 20 July 2023. Many provisions need regulations before they come into force, but it is anticipated these will be in place for 2024/25. One of the provisions is for all social housing to have a minimum EPC of C by 2030.

The combination of the stock condition surveys of all HRA stock, and the asset investments planned will help ensure the HRA achieves this goal.

Equalities and Diversity:

An Equality impact assessment has been completed for setting the HRA budgets and proposed rent setting for 2024/25, EQIA568922876.

There is potential for a negative impact on low-income households if rents are increased. However, measures have been put in place to support these tenants if this should happen. Affordable rents are capped at the LHA rate which is the most a tenant can receive for the housing element of benefits. This should mean the rents are affordable to all.

Financial:

A summary analysis of the budget movement is shown in **Table A**. This table is supported by **Appendix A1**, that gives a full breakdown of all budget changes between 2024/25 and 2027/28, with a brief explanation to the changes.

Table A

HRA MTFS Updates	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Additional Cost	8,444	3,364	1,660	1,979
Reduced Income	428	442	599	602
Additional Income	(1,690)	(955)	(858)	(1,408)
Saving	(327)	(439)	(903)	(3,097)
Use of Reserves	(4,335)	(1,328)	(1,283)	(1,120)
Net Movement Each Year	2,520	1,084	(785)	(804)
New Movement over the period 2024/25 to 2027/28				2,015

The full HRA budget and relevant information can be seen in **Appendix A2**.

Human Resources:

The budget has been increased to cover staffing requirements of the HRA, with 13.6 new permanent posts being added in 2024/25 and 2 fixed term posts. This follows the addition of 8.75 new posts during the 2023/24 budgets setting.

The new permanent posts will help to meet the growing demands of all service areas following the introduction of the Social Housing (Regulation) Act 2023, covering services such as housing compliance, housing development, tenant engagement and data analysis.

The cost of these additional posts is £610,000 in 2024/25, increasing to over £700,000 by 2027/28.

These posts form part of the Housing Team Restructure which has a separate report to be approved by Cabinet.

The budgets do not currently include the full costs of the housing restructure, as there is a proposal to add a further 29.4 posts and additional work is required to finance these posts. The cost associated with these additional 29.4 posts is approximately £1.2 million per annum, increasing to £1.35 million by 2027/28.

The 2 additional fixed term posts are in relation to the decant and demolition of St Peters Court and were approved as part of the cabinet report 'Asset Review – St Peters Court, Lowestoft on 3 October 2023.

Further changes to the staffing budgets are a result of the following:

- 2023/24 national pay award agreed.
- In year vacancies.
- Updating of job descriptions and regrading.

ICT:

Significant investment is being made in Housing software to improve the service tenants receive and create efficiencies within the repairs and maintenance service. Much of the initial investment is a cost pressure to 2023/24 budgets.

Legal:

No impact directly arising from this report.

The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income. The Council has a statutory responsibility to set a balanced HRA budget.

From 1 April 2020 the Government set out a new policy statement for rents on social housing (the Policy Statement). This was implemented through the Regulator for Social Housing rather than through legislation. The Government published a 'Direction to the Regulator' to set a Rent Standard, and the Regulator is required to have regard to this when setting its Rent Standard. For the first time, the Government has directed the Regulator to apply its Rent Standard to all registered providers, including local authorities.

Risk:

The HRA self-financing regime transferred the financial risk to the Council. The HRA manages this risk through prudent budgeting, careful financial management and adoption of a rolling 30-year financial business plan. The financial sustainability of the budget is managed by ensuring adequate funds are set aside to repay the debt and appropriate levels of working balances are available for any unforeseen costs. It also gives the HRA the opportunities to meet its business objectives whilst creating efficiencies and savings, giving added value for money.

The HRA budgets 2024/25 to 2027/28 (including a projected outturn for 2023/24) have been updated in the 30-year financial business plan, it shows the current requirements

are financially sustainable if the proposed income levels are approved, and no further borrowing will be required at this point.

However, there are significant costs pressures on the HRA during the MTFs, and all reserves and balances have been utilised to fund the budget and capital programme. Adding any further costs will put the financial sustainability of the HRA at risk.

External Consultees:	Tenants will be informed in writing of any changes to their rent and service charges one month before they take effect. Tenants will have the opportunity to speak to their rent officer or the HRA's financial inclusion officers if they have any concerns.
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>

P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>How does this proposal support the priorities selected?</p> <p>Under the Self-Financing regime, the future resources and spend of the HRA are based on local decisions. The budget includes financing the capital programme and reserve balances as per the HRA financial business plan. Currently there is no requirement for any additional borrowing, demonstrating financial sustainability and supporting how ESC governs itself.</p>			

Background and Justification for Recommendation

1 Background facts	
	Self-Financing Arrangement
1.1	The HRA self-financing regime was introduced in April 2012. The Council had to take on a significant amount of debt (£68 million) in exchange for not paying future housing subsidy. This change is beneficial to the HRA over the long-term.
1.2	A 30-year financial business model is used to support the delivery of the HRA under the self-financing regime. It makes assumptions regarding the level of income available and the key risks facing housing service delivery within this timeframe. It also programmes in the due date for current borrowing to be repaid, whilst delivering the required service.
1.3	The HRA funds the costs of borrowing for the initial debt settlement. The Council has chosen to incorporate this debt into the Council's overall borrowing portfolio, creating a single pool and charging interest to the HRA in proportion to the debt it holds.
1.4	Originally the HRA had a 'borrowing cap' of £87.26 million imposed on it by Central Government, however this was removed in 2018 when Central Government issued a determination revoking the limit of indebtedness on the HRA. However, the HRA's borrowing capacity is still restricted to the operational boundary for external debt for the whole Council. The boundary is set at £173 million, which includes both the General Fund (GF) and the HRA. Therefore, consideration must be given to the Council's total borrowing and the requirements for borrowing by the GF, before considering increasing the current borrowing of the HRA.
1.5	As of 1 April 2023, the total debt of the HRA was £60.4 million (£58 million from the self-financing settlement and £2.4 million pre-self-financing). During the budget period 2024/25 to 2027/28 a further £960,000 is due to be repaid in 2024/25 and £10 million in 2026/27. Both amounts have already been set aside in the debt repayment reserve and the Major Repairs Reserve.

	<p>Interest on all current HRA borrowing is fixed, therefore, the HRA will see a reduction in interest payments in the subsequent years of repayment.</p> <p>The HRA spending plans, including its capital investment programme, are fully funded from existing resources. Therefore, there is currently no need to make use of any additional borrowing. However, any additional costs added to the budget in the future, will likely require additional borrowing, and the HRA will need to ensure it can service the interest payments as well as the principle borrowing.</p>
1.6	<p>Welfare Reform</p> <p>Universal Credit (UC) was first introduced 11 years ago as part of ‘The Welfare Reform Act 2012’. It is a single payment for working aged people who are looking for work or are on a low-income. It replaces housing benefit, working tax credit, child tax credit, income support, income-based jobseekers’ allowance and income related employment and support allowance. It was rolled out in the district in 2015.</p>
1.7	<p>New claimants of UC have an initial wait time of five weeks before receiving their first payment, however if they are already receiving housing benefits, this will continue for the first two weeks of the claim process, reducing pressure on tenants.</p>
1.8	<p>The benefit cap has always been £20,000 per annum (outside of Greater London), since the introduction of the Welfare Reform Act 2012. However, from April 2023, Government increased the cap by 10.1% for the first time since its introduction. The current cap is £22,020 per annum, which provided claimants with a much-needed boost during a cost-of-living crisis. However, it has been confirmed this new cap will be frozen for 2024/25.</p> <p>If new claimants’ previous income was higher than the benefit cap, they are given a ‘grace period’ of nine months, easing the transition for the claimant.</p>
1.9	<p>Although the benefit cap is frozen, UC payments will increase by 6.7% (September CPI) from April 2024, up to the benefit cap.</p>
1.10	<p>The Local Housing Allowance (LHA) rates are used to calculate the amount of housing benefits a tenant can receive. These have been frozen for four years now.</p> <p>It was announced in the Autumn Statement 2023 that the LHA rates will be reset in April 2024 to the 30th percentile of the local market rents of September 2023. This means the cheapest 30% of rents in the area should be affordable to people claiming UC or housing benefits.</p>
1.11	<p>Under-Occupation Charge (also referred to as the ‘Bedroom tax’) is a fixed cut to housing benefit or the housing element of UC received based on the number of spare bedrooms in the property. The charge only applies to working aged tenants renting from local authorities, registered housing associations or other registered social landlords and is set by Central Government. The cut is 14% for one spare room, or 25% for two or more spare rooms.</p> <p>To help alleviate the pressure of this penalty, the Council’s HRA offers the incentive called ‘Cash-for-Moving.’ This is a widely used scheme across councils to encourage tenants to downsize. Tenants can bid for a smaller property on</p>

	Gateway to Home-Choice, and if successful the tenant could receive up to £2,000 depending on the number of bedrooms given up.
1.12	The Right to Buy (RTB) Scheme allows tenants to purchase their council house at a discounted rate. The maximum discount available is 70% or £96,000 (outside of Greater London) whichever is lower. This value is set by Central Government and increases in April each year by CPI.
1.13	In 2012, the Council entered into an agreement with the Secretary of state to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. As of April 2021, the conditions of this agreement were updated by Central Government. The receipts can now fund up to 40% of investment in new affordable housing (previously only 30%) and they can now contribute to the delivery of shared ownership properties, which they could not before.
1.14	On average the HRA loses 30 properties a year through RTB, and this is the assumption used within the 30-year business plan. However, for 2023/24 (as at 05 January 2024) only 12 properties have been sold through the scheme. This is a trend being seen by many other councils and is likely linked to increased living costs and high interest rates.
1.15	The implication of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB is on average £140,000 per annum (year on year). RTB sales are considered when setting the dwelling income budget.

2 Current position

	Dwelling Rents and Service Charges
2.1	The 2020 Rent Standard is the Policy Statement for rents on social housing and has been in effect from 1 April 2020. It is the first-time Government have directed the Regulator of Social Housing to apply its Rent Standard to all social housing providers, including local authorities.
2.2	From 1 April 2020, all Registered Provider rents (including Local Authorities) must be charged in accordance with the Government Policy Statement on Rents for Social Housing. The Rent Standard, published by the Regulator of Social Housing in 2020 requires rents to be set in line with this policy statement.
2.3	The rent policy permits the Council to increase its rents for at least five years to 2024/25 by up to CPI for September of the previous year plus 1%. The Rent Standard also provides freedom to apply a lower increase or to freeze or reduce the rent if a registered housing provider chooses to do so.
2.4	There has been no indication from Government as to what social housing providers will be permitted to increase rents by from 2025/26. The budgets are working on the assumption of continuing with the same method as the past five years, however, this could be subject to change.
2.5	Due to high inflation, CPI was 6.7% in September 2023, which results in social housing landlords having the ability to increase rents by up to 7.7% (6.7% CPI +

	1%). There has been no announcement from Government suggesting they will impose a rent increase cap, like they did for 2023-24.
2.6	The rent policy aims to strike a balance between the interests of existing social housing tenants who pay some or all their own rent, and the importance of ensuring that providers of social housing have sufficient income to manage and maintain their housing stock.
2.7	<p>Rent Setting is different depending on the type of rent set. There are three types of rents used within the HRA. Social Rent, Affordable Rent and Shared Ownership, as well as a small number of leased properties.</p> <p>The current breakdown of the stock by rent type as at 1 December 2023 is as follows:</p> <p>Social Rent: 4,264 Affordable Rent: 119 Shared Ownership: 16 Leased: 11 Total: 4,410</p>
2.8	Social Rent is described as all low-cost rental accommodation. Since 2001 social rents have been based on a formula set by Government. Annual updates to the formula calculations are published in November of the previous year.
2.9	Under the Rent Policy the initial rent may be set at a level no higher than formula rent plus rent flexibility. The formula rent takes account of relative property values, relative local earnings, and a bedroom factor, i.e. smaller properties should have lower rents. The formula rent is also subject to a rent cap. The rent cap applies a maximum ceiling on the formula rent. Therefore, if the formula rent is higher than the rent cap for a particular property, the rent cap must be used instead. The rent caps will increase each year by CPI (September of the previous year) plus 1.5%.
2.10	The Government's Rent Policy recognises that registered housing providers should have some flexibility over the rent set for individual properties, to take account of local factors. As a result, the Policy Statement contains flexibility to set rents at up to 5% above the formula rent (10% for supported housing). East Suffolk Council applies rent flexibility following approval by Full Council in January 2023.
2.11	The Government's Rent Policy states any social rents that exceed the flexibility level must not be increased by more than CPI (rather than CPI plus 1%) each year, until the rent is brought within the rent flexibility level. Also, the property must be re-let at the formula rent value (plus rent flexibility). If this arises when setting the HRA rents, the rent will be frozen or potentially reduced until it reaches the formula rent value. Such situations will be dealt with on a case-by-case basis.
2.12	Affordable Rent values were introduced in 2011 and must not exceed 80% of gross market rent (inclusive of service charges), i.e. rent for which the accommodation might reasonably be expected to be let in the private rented sector. The size, location and service provision must be taken into consideration.

2.13	Affordable rent is exempt from the social rent requirements of the Policy Statement. The Government expects new build properties to be let at affordable rent values. Affordable rent allows the Council to set rents at a level that are typically higher than social rents. The intention behind this flexibility is to enable local authorities to generate additional capacity for investment in new affordable homes. The Council is applying affordable rents to new build or purchased properties and can do so as it has an agreement in place with the Secretary of State. The agreement allows the Council to retain RTB receipts for investment in new affordable rented homes.
2.14	The private rented market can fluctuate from month to month. Therefore, the Council charges the Local Housing Allowance (LHA) rate for all affordable rents (inclusive of service charges). The LHA rate is less than 80% of market rent, but more than social rents. The LHA rate is the most a tenant can receive in benefits towards their rent, therefore anything charged over this value would need to be financed by the tenant's own resources, which could cause financial hardship and potential arrears.
2.15	An additional benefit to this approach ensures a consistent and fair approach to all tenants.
2.16	Affordable rents must not increase by more than CPI (September of the previous year) plus 1%. As with social rent setting, this is a ceiling and a lower increase, or to freeze or reduce affordable rents is permitted.
2.17	Full Market Rent can be charged by a social landlord from April 2015, where a social tenant has an annual household income of at least £60,000. This change allowed landlords to make better use of their social housing for properties rented to households with relatively high incomes. However, the HRA does not currently charge any tenants full market rent as very few tenants are in this position, and the cost to identify these tenants outweighs the benefit of the additional income.
2.18	Shared Ownership Rent is calculated at 2.75% of the share still owned by ESC. This is a nationwide calculation for the initial rent charged. Future year increases will follow the 2020 Rent Standard of the previous year's September RPI + 0.5%. For any shared ownership properties acquired on or after 12/10/2023 must have future year rent increases in line with CPI + 1%.
2.19	The Rent Period the Council works on is a 50-week period. The 52-week rent value is converted to the slightly higher 50-week value, allowing tenants to have two 'rent free weeks' over the Christmas period. This helps tenants at an expensive time of year, and for those in arrears, can help them 'catch up.'
2.20	A small number of HRA properties are used as temporary accommodation. These properties are charged at the 52-week value as they will not be in the property for more than a year, and therefore would not benefit from the rent-free weeks.
2.21	Every five to six years there are 53 Mondays in the rent year. 2024/25 is a 53-week rent year. Tenants will need to be aware of this if in receipt of UC as this is based

	on a 52-week rent year and the Government have yet to release a statement as to whether this will be changed considering the 53-week rent year.
2.22	Garage Rents do not follow the same restrictions as dwelling rents. These are based on market research in the district and have been considered for approval by Cabinet as part of the 2024/25 Fees and Charges Report.
2.23	Service Charges are those charges payable by tenants to reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, e.g. communal facilities in sheltered accommodation (Grouped Homes).
2.24	Councils can review their service charges annually. Service charges should be sufficient to cover the cost of providing the service and are not governed by the same factors as rents. Therefore, not all service charges will necessarily increase each year, they will replicate the cost of the service provided. As set out in the Policy Statement, increases for service charges should be managed, where possible, within the limit on rent changes of CPI plus 1%. Exceptions to this include new charges or where services have been extended.
2.25	Arrears 2022/23 had an increase on arrears from 2021/22 of £236,497.82. As at 31.03.23 arrears were 6.78% of total rents and charges raised. This was a 0.99% increase from the previous year.
2.26	The current arrears position as of 05 January 2024 is higher than the 2022/23 position. The total arrears are currently £1,600,763.56, an increase of £192,000.
2.27	Although the arrears position continues to rise, it is anticipated a high percentage of these arrears will be cleared because of the rents and service charge refund process (Over £1,000,000). Arrears are required to be cleared before tenants are entitled to a refund. Reducing these arrears should help with managing the remaining arrears in the future.
2.28	To further reduce the risk of arrears, new tenants are asked to pay rent in advance. The amount they pay is linked to how regularly they pay their rent e.g. if a tenant pays weekly, they will be required to pay one week in advance. As of 05 January 2024, the HRA holds £986,717.50 in rent in advance.
2.29	Repairs and Maintenance The HRA repairs and maintenance (R & M) programme is split between capital and revenue. Revenue costs are to be funded from the revenue income derived from rents, whilst capital will be funded from the Major Repairs Reserve.
2.30	In recent years the budgets have been increased to consider the increase in material costs.
2.31	The HRA is currently undertaking a programme of essential safety inspections, primarily relating to fire safety and essential works identified during inspections. A report detailing the planned works was approved at Cabinet on 4 October 2022 and included in the 2023/24 budget setting. However, these increases to budget

	did not include provisions to meet the new Social Housing (Regulation) Act 2023 announced in July 2023.
	Capital Programme
2.32	The HRA capital programme forms part of the Council's 'Capital Programme Report 2024/25 to 2027/28'. The HRA capital programme consists of capital budgets for 'Asset Investment' and 'Acquisition and Housing Development.'
2.33	The HRA capital programme will be funded via the rental income it retains, also referred to as 'Direct Revenue Financing' (DRF), the Major Repairs Reserve, Right-to-Buy (RTB) receipts, external funding and other capital receipts held.
2.34	The repairs and maintenance aspect of the capital programme forms part of the 'Asset Investment Programme.' This element of the capital programme is funded through the MRR. The Asset Investment Programme not only covers repairs and maintenance, but also energy efficiency measures, fire safety, and redevelopment of existing housing stock.
2.35	The Acquisition and Housing Development element of the capital programme is the investment in purchasing and building new affordable housing to be held within the HRA. The current development programme has seen cost pressures associated with the increases across the construction industry.
2.36	As of the 31 March 2023, the Council's housing stock totalled 4,418. During 2023/24 there have been 10 RTB sales to date with more anticipated before the end of the year. However, there will be an additional 25 properties added to the stock through the acquisition and development programme giving a net increase to the stock levels for this year. 2024/25 will then see a decrease in stock levels due to the decant and demolition of St Peters Court.
2.37	Special Services are made up of revenue costs for Sheltered Schemes, Warden services, caretakers and acquisitions and new build programme. As the acquisitions and new build programmes increases, the associated revenue costs also increase. These costs include for example, architect fees, consultant fees, warranty insurance, marketing, and staffing.

3 How to address current situation

	Rents and service charges
	Rent Setting
3.1	In accordance with the Rent Standard for 2020, rent increases for 2024/25 will be increased by the September 2023 CPI plus 1%. September CPI was 6.7%, which gives a proposed rent increase of up to 7.7%. This has been confirmed by Government on 04 January 2024.

3.2	Official guidance was released by Government on 04 January 2024, the formula rent (a nationwide calculation) will be increased by the September 2023 CPI plus 1% regardless of the rent increase applied to current tenants. The Council has no option on this, and it will affect new tenancies only.						
3.3	ESC has a commitment to providing all tenants with a home at a decent home's standard, as well as investing in its existing housing stock to meet the Social Housing (Regulation) Act 2023, while building much needed new homes for those waiting on the housing register.						
3.4	The balance between service provision and protecting current tenants have been carefully considered, and a rent increase of up to 7.7% for 2024/25 is proposed in this report.						
3.5	The Government's proposed increase to the LHA rate and ESC rent policy to cap affordable rents at the LHA rate will help with the affordability of the rent increase proposed. If the new LHA rates for 2024/25 are less than a 7.7% increase, tenants on an affordable rent will see a lower increase to their rents.						
3.6	Rent setting takes place during February each year to ensure the most up to date rents are used as a base and reduces the chance of manual updates relating to properties re-let between February and March (before the new rent values apply). Also, the new LHA rates should be announced by February to aid the setting of the affordable rents.						
3.7	Applying a 7.7% rent increase in 2024/25, gives an average rent increase of £6.92 per week for social rented properties. Table B below shows the current average weekly rent value and the anticipated average for social rented properties in 2024/25. Table B <table border="1" data-bbox="300 1444 1045 1585"> <tr> <td>2023/24 Average Rent (52 Week Value)</td> <td>£89.86</td> </tr> <tr> <td>2024/25 Average Rent (52 Week Value)</td> <td>£96.78</td> </tr> <tr> <td>Average Weekly Rent increase (52 Week Value)</td> <td>£6.92</td> </tr> </table> <p>The table does not include averages for affordable rents due to the new LHA rate not being released yet, however these will also have a maximum of 7.7% applied.</p>	2023/24 Average Rent (52 Week Value)	£89.86	2024/25 Average Rent (52 Week Value)	£96.78	Average Weekly Rent increase (52 Week Value)	£6.92
2023/24 Average Rent (52 Week Value)	£89.86						
2024/25 Average Rent (52 Week Value)	£96.78						
Average Weekly Rent increase (52 Week Value)	£6.92						
3.8	The average rent for the East of England as provided by the HomeLet statistics for November 2023 is £1,223 per month. This is the equivalent to £282.23 per week. This equates to ESC 2023/24 average social rent being just 31.84% of the average rents for the area. The proposed 2024/25 ESC average social rent increases this to 34.29% of the average rent charged in the area.						
3.9	The ESC average rent value will fluctuate slightly week-to-week, depending on the number of voids and re-lets during a month. However, the change will be						

	minimum (a few pence different), and it is compared each year during December, giving a consistent approach.						
3.10	<p>Shared Ownership properties follow a slightly different set of guidance. Although the Shared ownership rent reform was introduced in October 2023, it only affects shared ownership properties purchased or built after this date, and therefore, does not impact on our current shared ownership properties.</p> <p>Shared Ownership properties are to increase by Retail Price Index (RPI) plus 0.5% each year. The September 2023 RPI was 8.9%, giving an increase to rents of 9.4%.</p>						
3.11	<p>Applying a 9.4% rent increase to shared ownership properties in 2024/25, gives an average rent increase of £17.54 per month. All Shared ownership properties are charged monthly as per the ESC rent policy. Their rents will vary depending on the valuation of their property and the percentage share bought. Table C below shows the current average monthly rent value and the anticipated average value for shared ownership properties in 2024/25.</p> <p>Table C</p> <table border="1"> <tr> <td>2023/24 Average Rent (Monthly)</td> <td>£186.56</td> </tr> <tr> <td>2024/25 Average Rent (Monthly)</td> <td>£204.10</td> </tr> <tr> <td>Average Monthly Rent increase</td> <td>£17.54</td> </tr> </table>	2023/24 Average Rent (Monthly)	£186.56	2024/25 Average Rent (Monthly)	£204.10	Average Monthly Rent increase	£17.54
2023/24 Average Rent (Monthly)	£186.56						
2024/25 Average Rent (Monthly)	£204.10						
Average Monthly Rent increase	£17.54						
3.12	Not increasing social and affordable rents by 7.7% or Shared ownership properties by 9.4% would put a financial strain on the HRA. With increasing demands and costs across all service areas, and the requirement for significant investment in the decarbonisation of the current housing stock and new build programme, the capital programme will suffer if rent increases are not utilised.						
3.13	<p>Due to the agreement ESC holds with the Secretary of State to retain its RTB receipts, the Council must invest in the provision of new affordable homes.</p> <p>However, the provision of new affordable housing is not a legislative or regulative requirement. If the Capital programme is required to reduce to balance the budget, the investment in new affordable housing would have to be reduced or removed. Any RTB receipts held would need to be gifted to other social housing providers as required by the agreement or returned to Government each year.</p>						
3.14	<p>Although Government have not announced a new settlement on how rents will be set for the period 2025/26 to 2027/28, the budgets have been based on the same methodology as the previous five-year arrangement. An increase of the September CPI plus 1%. The Bank of England (BoE) CPI predictions plus 1% have been applied to these years.</p> <ul style="list-style-type: none"> • 2025/26 (BoE) CPI 2.4% plus 1% • 2026/27 (BoE) CPI 2.1% plus 1% • 2027/28 (BoE) CPI 2.1% plus 1% <p>When the new settlement arrangement for these years is announced, an update will be added to this report.</p>						
3.15	Other factors are also taken into consideration when calculating the dwelling rent budget for future years. Such as disposals through RTB's or asset management of underperforming stock, reconversions, new build developments and acquisitions.						

3.16	The 2024/25 and future year income budgets take into consideration the decant and demolition of St Peters Court. This is a loss of £400,000 plus rent increases each year.
3.17	Service Charges The proposed service charges for 2024/25 are set out in Appendix C of this report. The costs of providing the services have been reviewed and set at a level to ensure that the costs are recovered. The HRA cannot make a profit on the service charges, these are purely to recover HRA costs.
3.18	Not all service charges, outlined in Appendix C will increase in 2024/25. This is due to contracts that run for more than one year for a fixed price.
3.19	The average grouped home service charge relates to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2024/25 is set at an average weekly charge of £19.31. This is an increase of £3.21 compared to 2023/24.
3.20	The average grouped home heating charge is based on the previous full year's cost and reflect the tenants use of utilities in their home. Due to using the previous year's full costs, tenants benefited from no major increases last year, however in fairness to all council tenants who pay for their own heating charges, the recharge should reflect the actual cost of their utility's usage. The proposed heating charge for 2024/25 is £23.71 per week (with 2 'rent free weeks'). This is an increase of £5.58 compared to 2023/24.
3.21	Due to the decant at St Peters Court, it was deemed inappropriate to increase any rents or service charges here, while tenants are waiting to be rehoused.
3.22	Garage Rents Garage rents are also set out in Appendix C . For 2024/25 tenant's weekly garage rent is proposed to increase from £9.45 to £9.73, an increase of £0.28 on the 2023/24 charge. The proposed increased for non-tenant weekly garage rent is £13.63 from £13.23 (inclusive of VAT), an increase of £0.40 on the 2023/24 charge.
3.23	The Garage rents are based on local market research. Historically, ESC has charged particularly low garage rents, however they are now at a similar level as other Local Council providers. Garage rents form part of the Councils' annual fees and charges report to be considered by Cabinet on 2 January 2024.
3.24	Repairs and Maintenance The repairs and maintenance revenue budget for 2024/25 has been set at £7.749 million, compared to a revised forecast of £6.782 million in the 2023/24 budget. An analysis of the repairs and maintenance revenue budget is set out in Appendix D .
3.25	The amounts included in the repairs and maintenance revenue budget are deemed sufficient to allow the Council to carry out all necessary major works and to maintain the decent homes standard in all its properties. It should also be sufficient to cover significant levels of work on fire risk safety, compliance contract

	management and stock condition surveys. The costs associated with the Government's target to ensuring all stock is EPC C or above by 2030 is within the HRA capital programme.
3.26	The 2024/25 budget includes increases to cover; additional compliance consultancy support, increased contract costs, increased budgets to tackle damp and mould and increased staffing budgets relating to compliance management.
3.27	Increased revenue costs associated with the decant of St Peters Court fall under special services as part of non-sheltered scheme costs. The decant and demolition has had a £500,000 impact on the 2023/24 forecasted outturn position and increased the 2024/25 to 2025/26 budgets by a total of £1,000,000. These additional costs were approved as part of the report to Cabinet on 3 October 2023. Although over 30 years this was the best financial option, these costs were not included in the original budget.
	Other Budget Pressures and savings
3.28	The acceptance of £4.2 million grant funding for the Brownfield Site Release Fund had additional costs associated with it. The total revenue impact was £518,000 between 2023/24 and 2025/26. Also, in addition to this, the HRA had to contribute a further £300,000 to the capital programme for the decontamination of the site.
3.29	Due to the size of the Deben fields new build development, the revenue costs associated with the build are much higher and outside of the existing budgets. Therefore, an additional £900,000 has been added to the budgets between 2024/25 and 2025/26.
3.30	Higher interest rates have given the HRA a boost on its interest income over 2023/24 and 2024/25, providing an additional £1.1 million, which will help contribute towards some of the budget pressures highlighted above.
	Reserves and Balances
3.31	The HRA has earmarked reserves as well as the HRA revenue working balance (see section 5.19 in Appendix A2 for details on the revenue working balance), and the Major Repairs Reserve. Appendix E shows the movement and balances of these reserves for the budget period 2023/24 to 2027/28.
3.32	Brownfield Land Release Reserve is a new reserve set up during 2023-24 for the grant funding received for the decontamination works at the former Sanyo site and will be spend in accordance with the grant agreement.
3.33	HRA Debt Repayment Reserve was set up in 2012/13. The viability of the self-financing regime depends ultimately on the Council acting prudently and in doing so, setting sufficient sums aside to meet its future liabilities. The transfer of funds to the Debt Repayment Reserve gives the Council flexibility around its future decisions for repaying the debt. The balance at 31 March 2028 is forecasted to be £3 million. This is after a planned repayment of a substantial debt instalment of £10 million in 2026/27. Payments into this reserve from 2027/28 will need to increase to meet the following instalment of £10 million due in 2031/32. Future

	debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.
3.34	<p>During 2024/25 the HRA has significant cost pressures. To avoid short-term borrowing and increases in interest payments it is planned to release £1.8 million of the debt repayment reserve back into the HRA revenue account to balance the budget. This will then be replenished between 2025/26 to 2027/28.</p> <p>Any savings above the projected outturn for 2023/24 will be used to reduce the need to release funds from this reserve.</p>
3.35	<p>HRA DHP Top-Up Reserve (also known as the hardship reserve) was set up in 2012/13 with a fund of £500,000 taking the Welfare Reform Act 2012 into account. The reserve recognised the unexpected and exceptional difficulties tenants may face arising from these changes. Although the Act is now over ten years old, the financial difficulties tenants face has not faded.</p>
3.36	<p>This reserve was set up to ‘top up’ the Discretionary Housing Payments (DHP) made by the Council by the value used by HRA tenants, only if the total payments made were to exceed the value of the DHP grant received by the Council. To date, this has not been required. With increased Department for Work and Pensions (DWP) grant in recent years, it is unlikely to be required in 2023/24.</p>
3.37	<p>Due to the reserve not being required for its original purpose, discussions have been held, and the reserve is now being utilised for some staffing posts that will benefit our tenants when managing their finances. This includes a finance inclusion officer, and temporary staffing to guide tenants through their rents and service charge refund process as well as the decant at St Peters Court.</p> <p>The balance is estimated to be £114,000 at 31 March 2028 and will continue to be utilised in future years.</p>
3.38	<p>MMI Reserve is the Municipal Mutual Insurance Reserve. This reserve covers any potential insurance claims relating to when the Council was covered by this insurer, and the new insurance providers will not cover such claims.</p>
3.39	<p>Acquisition and Development Reserve is used to transfer in potential underspends during a given financial year, to later fund the acquisition and new build capital programme. The reserve is planned to be utilised between 2023/24 and 2024/25.</p>
3.40	<p>Major Repairs Reserve (MRR) was set up following the introduction of the self-financing on 1 April 2012 and to meet changes in Accounts and Audit Regulations from 2012/13. Depreciation charged to the HRA is credited to the MRR and can be used to repay the principal elements of the HRA debt, as well as finance capital expenditure on the existing dwelling stock. There are plans to use the MRR to part fund the capital programme in each financial year. The balance at 31 March 2028 is projected to be a £7.418 million. The balance of this reserve is monitored through the 30-year financial business model to ensure it remains at a balance sufficient to fund capital programme repairs and contribute to debt repayment in future years.</p>

3.41	The next debt repayment instalment of £960,000 in 2024/25 is planned to be financed by the MMR.
3.42	All reserves and balances are allocated to fund both the revenue and capital budgets, including repayment of debt in future years. Anything additional added to these proposed budgets will require borrowing to be taken out against the new build capital programme. However, this is subject to capacity in revenue budgets to cover additional interest payments and servicing new debt.

4 Reason/s for recommendation

4.1	This report brings together all relevant information to enable Members to review, consider and comment upon the Council's Housing Revenue Account budgets, the proposed rental increase, service and other charges and movements in reserves and balances, before making final recommendations to Full Council on 21 February 2024. This report also forms the basis of Scrutiny Committee's review of the Budget at its meeting on 18 January 2024 as required under the Budget and Policy Framework.
4.2	To advise Members of the wider housing and welfare changes that will impact on future service delivery.

Appendices

Appendices:

Appendix A1	Budget changes to the financial period 2024/25 to 2027/28
Appendix A2	HRA 2024/25 to 2027/28 Budget – inclusive of 2023/24 forecast position
Appendix B	Summary of Headings on Chart of Accounts
Appendix C	HRA Service and other charges
Appendix D	HRA Repairs and Maintenance Revenue Budget
Appendix E	HRA Balances and Reserve Summary
Appendix F	HRA Budget Key Assumptions

Background reference papers:

Date	Type	Available From
November 2023	Budget Working Papers	Financial Services
November 2023	Bank of England Monetary Policy Report November 2023	Monetary Policy Report - November 2023 Bank of England
November 2023	September 2023 CPI	Consumer price inflation, UK - Office for National Statistics (point 3)
November 2023	Increase in LHA rate from April 2024 (Details to follow)	Updated: Local Housing Allowance rates to rise from April 2024 Local Government Chronicle (LGC) (lgcplus.com)
Last updated 09/05/2023	Rent Standard 2020	Rent Standard and guidance - GOV.UK (www.gov.uk)
July 2023	Social Housing (Regulation) Act 2023	Social Housing (Regulation) Act 2023 (legislation.gov.uk)

Budget changes to the financial period 2024/25 to 2027/28.

Table D

HRA Budget update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Description
Additional Cost					
Direct Revenue Financing - source of finance for capital programme	4,442	1,652	0	0	Increase due to changes in Capital programme. Some Capital Grants and Reserve movements contra against these.
St Peters Court - Decant and Demolition	735	48	0	0	Revenue costs associated with the decant and demolition of St Peters Court (excludes staffing).
St Peters Court - Decant and Demolition (Staffing)	75	27	0	0	Additional Staffing Requirements during decant and demolition of St Peters Court.
Housing Development Programme	902	0	0	0	Additional revenue costs associated with Housing development.
Brownfield Land Release Revenue costs	496	22	0	0	Planning fees and project management of Brownfield Release. Costs to be recovered through land sale at end of project. 2 x Passive Fore Officers, 1 x Damp & Mould Officer, 1 x Senior Development Officer, 1 x Contract Manager - Electrical, Additional Admin Support, 0.4 x Disabled Adaption Manager, 1 x Policy Manager, 1 x Housing Improvement Officer, 1 x Tenant Engagement Officer and staff
Additional Staffing Requirements	610	672	692	914	pay awards. 2027/28 base is 2026/27 budget.
Consultancy costs	372	75	50	0	External consultancy costs relating to HRA compliance.
Repairs and Maintenance service cost increase	298	402	415	428	Increase Material costs, increased cost of services and additional compliance works previously approved at cabinet.
running of schemes (sheltered and non- sheltered)	245	203	207	208	Increases in utilities bills for all schemes.
Rents, rates and other charges	130	19	0	0	Estimated Council Tax on voids at St Peters Court until demolition.
Depreciation charge	0	121	164	284	Depreciation is linked to the capital programme.
Insurance Premiums	36	44	51	58	External impact, insurance premiums have increased across the Council.
Provision for Bad Debt	35	21	19	16	Increase on provision for bad debt following the rent refunds processed.
Digital Transformation Programme	30	20	24	33	Increase in investment in analytical software and digital transformation programme.
Travel Expenses	16	16	16	16	Increase in travel costs with increased staff, vacancies filled and increased office working.
Tenant Engagement	11	11	11	11	Vacancy filled, increase investment in tenant engagement.
Corporate Subscriptions	11	11	11	11	Housing Ombudsman increased annual fee.
	8,444	3,364	1,660	1,979	
Reduced Income					
Dwelling Rent income	412	426	440	453	Decant of St Peters Court.
Interest on cash balances	0	0	142	136	Forecasted reduced HRA balances in 26/27 & 27/28.
Non Dwelling Income (Leases and Wayleaves)	8	8	8	8	Reduced income due to demolition of St Peters court.
Reimbursement of costs	5	5	5	5	Reduced external use of Choice Based Letting Service.
Non Dwelling Income (Garage Rents)	3	3	4	0	Reduced number of Garages.
	428	442	599	602	

Additional Income					
Dwelling Rent income	-1,017	-635	-675	-1,198	7.7% increase applied to 2024/25. 2027/28 base is 2026/27 budget. BOI predicted CPI + 1% for 2025/26 to 2027/28.
Interest on cash balances	-299	-139	0	0	Increase in average interest received in 24/25 & 25/26.
Service charges and facilities income	-171	-176	-178	-204	Increase to recover costs of services.
Capital Grants and Contributions	-157	0	0	0	Homes England funding towards specific housing development. Contra against increase in DRF.
Contribution towards expenditure	-41	0	0	0	Reserve contribution to specific development sites.
Leaseholders Charges for Services	-5	-5	-5	-5	Improved recharging to leaseholders.
Non Dwelling Income (Garage Rents)	0	0	0	-1	27/28 base is 2026/27 budget. 3% increase applied.
	-1,690	-955	-858	-1,408	
Savings					
Direct Revenue Financing - source of finance for capital programme	0	0	-501	-2,465	Use of Capital Receipts in future years. 2027/28 base is 2026/27 budget.
Support recharge from General Fund to HRA	-205	-185	-179	-137	Support recharges reviewed to reflect the services used by the HRA.
Interest Payable and similar Charges	0	0	0	-302	Interest to reduce in 27/28 following repayment of debt instalment.
Housing Development Programme	0	-156	-91	-56	Revenue costs associated with Housing Development to reflect capital programme requirements.
Dwelling Rent Write-offs	-50	-50	-50	-50	Dwelling rent write off budget to reduce due to rent and service charges refunds.
Depreciation charge	-53	0	0	0	Depreciation is linked to the capital programme.
St Peters Court - Decant and Demolition - Staffing	-9	-37	-39	-39	Savings from posts currently filled by agency relating to St Peters Court.
St Peters Court - Decant and Demolition	0	0	-20	-20	Savings from removing the running costs of St Peters court (excludes staffing).
HRA Contribution to Treasury Management	-10	-11	-12	-17	Contribution reduces inline with HRA share of cash balances
Rents, rates and other charges	0	0	-11	-11	Once redevelopment programme progresses, charges for associated properties/sites will be removed.
	-327	-439	-903	-3,097	
Use of Reserves					
Debt Repayment Reserve	-1,800	200	450	1,150	Use of balance 24/25 to cover in year expenses. To be replenished between 25/26 to 27/28.
Brownfield Land Release Reserve	-1,000	-1,500	-1,704	0	Use of reserve to contra against increase in DRF. - Kirkley Water Front Decontamination.
Acquisition and Development Reserve	-1,486	0	0	0	Use of reserve to contra against increase in DRF. - Development Programme.
Hardship/DHP Top up Reserve	-49	-28	-29	-30	To fund a financial inclusion officer post.
	-4,335	-1,328	-1,283	1,120	
Net Total Movements	2,520	1,084	-785	-804	
Net Total Movements between 2024/25 and 2027/28				2,015	

5.1 Table D details the changes across each financial year, with a brief description for the change. All changes have been put through the 30-year business plan to ensure the financial viability of the HRA. There is no adverse effect to the long-term financial position of the HRA by making these changes, and no requirement to take on additional borrowing at this stage. However, if the proposed dwelling rent increase of 7.7% is not adopted, or further growth is added to the budgets, borrowing against the new build capital programme will be required or potentially reducing/removing the new build programme.

HRA 2024/25 to 2027/28 Budget – inclusive of Projected outturn for 2023/24

5.2 Table E summarises the 2024/25 budget through to 2027/28, with a projected outturn position for 2023/24. A brief description for each heading can be found in **Appendix B**.

Table E

	2023/24 Budget £'000	2023/24 Projection £'000	2023/24 Movement £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
Income							
Dwelling Rent	(20,634)	(20,411)	223	(22,136)	(22,440)	(23,040)	(23,550)
Non-Dwelling Rent	(184)	(175)	9	(177)	(181)	(185)	(190)
Service & Other Charges	(732)	(750)	(18)	(911)	(924)	(946)	(972)
Leaseholders Charges for Services	(10)	(20)	(10)	(15)	(15)	(15)	(15)
Contribution towards Expenditure	(57)	(234)	(177)	(74)	(33)	(33)	(33)
Reimbursement of Costs	(68)	(80)	(12)	(64)	(64)	(64)	(64)
Capital Grants and Contributions	-	(4,926)	(4,926)	(157)	-	-	-
Interest Income	(276)	(1,083)	(807)	(575)	(415)	(134)	(140)
Total Income	(21,961)	(27,679)	(5,718)	(24,109)	(24,072)	(24,417)	(24,964)
10% of total income	(2,196)	(2,768)	(572)	(2,411)	(2,407)	(2,442)	(2,496)
Expenditure							
Repairs & Maintenance	6,935	6,782	(153)	7,749	7,773	7,923	8,071
Supervision & Management	3,724	3,862	138	3,777	3,713	3,801	3,904
Special Services	2,705	3,664	959	5,392	3,103	3,074	3,102
Rents, Rates and other Charges	143	188	45	243	131	101	102
Movement in Bad Debt Provision	-	(220)	(220)	34	21	19	16
Contribution to CDC	92	92	-	92	92	92	92
Capital Charges	4,191	4,206	15	4,633	5,100	5,397	5,511
Interest Charges	2,106	2,106	-	2,066	2,026	2,026	1,724
Revenue Contribution to Capital	3,400	6,411	3,011	6,579	3,452	3,199	1,235
Transfer to Earmarked Reserves	(38)	481	519	(4,375)	(1,328)	(1,283)	1,120
Total Expenditure	23,258	27,572	4,314	26,190	24,083	24,349	24,877
Movement in the HRA balance	1,297	(107)	(1,404)	2,081	11	(68)	(87)
HRA Balance carried forward	(3,066)	(4,470)	(1,404)	(2,389)	(2,378)	(2,446)	(2,533)

Highlights regarding 2023/24 revised position – Table E

Income

5.3 The reduction in dwelling rent is in relation to the decant of St Peters Court and delays in the new build development programme.

5.4 The small variation in non-dwellings is due to the reduction in the number of garages.

5.5 The small variation in service charges is minimal compared to the size of the budget.

5.6 The increased income on leaseholder charged is due to improved processes on recharging.

5.7 The increase on contribution to expenditure is a combination of:

- Refund on Stamp Duty Paid on properties for social housing over the last 4 years.
- Unexpected funding from the Government towards the new burdens of customer satisfaction measures.
- Additional contributions towards to project management of decontamination of the former Sanyo site.

5.8 Reimbursement on costs includes a one-off recharge for work completed in 2022-23.

5.9 Additional funding received in Capital Grants relates to:

- £4.2 million for the Brownfield release fund.
- £250,000 Suffolk County Council contribution towards the purchase of 2 properties for Homes for Ukraine's.
- £473,000 Homes England funding towards Milton Road new build development.

5.10 Increased interest income due to increased cash balances in year and higher interest rates.

Expenditure

5.11 Saving on Repairs and Maintenance in relation to in year vacancy savings.

5.12 Increased costs on Supervision and Management are in relation to implementation of new ICT software and agency staff for the rents and service charge refund process.

5.13 Increased costs on Special Services are due to the decant and demolition of St Peters Court, Consultancy fees and additional revenue costs associated with the Deben Fields Development.

5.14 The increase in rents, rates and other charges are increased Council Tax payments on void properties in St Peters Court.

5.15 The saving on Bad Debt Provision is based on the knowledge that rent arrears will be reduced due to the rents and service charge refund process.

5.16 The slight change to the Capital charges is the depreciation charge. This is transferred to the Major Repairs Reserve.

5.17 The increase in Revenue contributions to Capital are partly covered by the additional grant funding received (section 5.9), and the use of the acquisition and development reserve.

5.18 The increase to earmark reserves represents all earmark reserve movements that can be seen in detail on appendix E.

2024/25 to 2027/28 Budgets

5.19 Table E demonstrates a projected healthy HRA working balance at 31 March 2024. The balance is planned to be drawn down in financial years 2024/25 and 2025/26, to make best use of the funds, but always maintaining the required 10% minimum. Best practice is considered to have a minimum working balance that approximates to 10% of the total income received in one year.

5.20 There is a separate provision already set aside in previous financial years to cover all anticipated refunds through the rents and service charge refund process. This process will not impact on the proposed budgets.

SUMMARY OF HEADINGS ON CHART OF ACCOUNT

Income.

- **Dwelling Rent;** Rental income from tenants for housing (Including Housing Benefits).
- **Non-Dwelling Rent;** Rental income for garages, and any other assets rented out by the HRA.
- **Services and other Charges;** Service Charges and nonspecific income.
- **Leaseholder's charges for services;** Recharges to Leaseholders for works and services.
- **Contributions towards expenditure;** External contributions towards expenditure.
- **Reimbursement of costs;** Rechargeable works to a third party.
- **Interest Income;** Interest received on cash balances held by the HRA.

Expenditure.

- **Repairs and Maintenance;** General Repairs and Maintenance to all housing stock.
- **Supervision and Management;** Costs associated with running the HRA, e.g. tenant's services, office-based staff, IT etc.
- **Special Services;** Sheltered schemes, warden costs, property acquisitions, redevelopment/decarbonisation, and new development revenue costs.
- **Rents, Rates, and other Charges;** Council Tax charges for void properties and Business Rates.
- **Movement in Bad Debt Provision;** Bad debt provision is to hold funds to cover debt (arrears) that are unlikely to be recovered by the HRA. Current Bad Debt provision is at £872k.
- **Contribution to CDC;** CDC is Corporate & Democratic Core costs. This is the HRA's contribution towards these.
- **Capital Charges;** Depreciation charged to HRA assets. (This is transferred to the Major Repairs Reserve. This can fund capital work or contribute to paying down the debt).
- **Interest Charges;** The interest payments relating to HRA borrowing.
- **Revenue contribution to Capital;** Capital expenditure is large repairs work such as 'replacing a kitchen' or building new properties. These are funded from either the HRA 'Revenue Contribution,' receipts held through the sale of assets (e.g. Right to Buy Properties), or other reserves and contributions.
- **Transfer to Earmark Reserves;** The HRA has several reserves, but the one used most frequently is the Debt Repayment Reserve. Money is transferred to this reserve each year to pay off the debt held by the HRA.

HRA SERVICE AND OTHER CHARGES

The following charges are based on a 50 week collection year. Under current policies, the following increases/(Decreases) in charges are proposed for 2024/25.

	Average Weekly Charge 2023/24 £	Average Proposed Weekly Charge 2024/25 £	Average Weekly Increase/ (Decrease) £
<u>Grouped Homes Service Charges (average):</u>			
General Service Charge	16.10	19.31	3.21
Heating Charge	18.13	23.71	5.58
Communal Water Charge	1.71	2.29	0.58
Support Charge	3.33	3.33	0.00
Laundry	3.90	3.90	0.00
	Weekly Charge 2023/24 £	Proposed Weekly Charge 24/25 £	Weekly Increase/ (Decrease) £
<u>Caretaker:</u>			
St Peter's Court	7.15	7.15	0.00
Dukes Head Street	5.30	5.45	0.15
Chapel Court	3.75	3.86	0.11
<u>Servicing:</u>			
Septic Tank Emptying/Servicing	5.83	6.12	0.29
Flue Maintenance	2.53	2.71	0.18
Grounds Maintenance (average) *	1.39	1.42	0.03
* Cost vary depending on size of land to maintain.			
<u>Other:</u>			
Communal Area Cleaning Service (average) **	2.55	2.67	0.12
** Cost vary depending on number and size of communal areas.			
	Weekly Charge 2023/24 £	Proposed Weekly Charge 2024/25 £	Weekly Increase/ (Decrease) £
<u>Garage Rents:</u>			
Tenants	9.45	9.73	0.28
Non Tenants (net of VAT)	11.03	11.36	0.33
			(13.63 inclusive of VAT)

HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Approved	Forecast				
	Budget	Outturn	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
Responsive Maintenance						
Supervision and Management (See note 1 below)	2,365,500	2,745,800	2,997,200	3,069,300	3,088,500	3,094,900
Compliance Consultancy	120,000	110,500	196,700	0	0	0
Compliance Contract Management (See note 2 below)	331,500	356,400	647,600	691,600	716,900	737,900
Jobbing Repairs	1,350,000	1,050,000	1,100,000	1,152,500	1,207,600	1,265,500
Loft and Cavity wall Insulation (See note 3 below)	50,000	35,000	0	0	0	0
Tenant Paint Allowances	40,000	25,000	31,500	33,100	34,800	36,500
Relet Repairs (Voids)	925,000	755,000	807,500	846,900	888,200	931,600
Asbestos - Removal	80,000	155,000	150,000	150,000	150,000	150,000
Asbestos - Testing	95,000	35,000	60,000	60,000	60,000	60,000
Legionella	10,000	35,000	50,000	50,000	50,000	50,000
Internal Communal Areas (See note 4 below)	60,000	0	60,000	60,000	60,000	60,000
Solid Fuel and Heating Repairs	33,000	33,000	34,500	36,100	37,800	39,500
Electrical Testing & Repairs	200,000	200,000	200,000	200,000	200,000	200,000
Emergency Lighting	0	80,000	35,000	35,000	35,000	35,000
External Decoration (See note 4 below)	100,000	40,000	150,000	150,000	150,000	150,000
Roof and PVC Panelling Cleaning (See note 5 below)	25,000	0	0	0	0	0
Fire Fighting Equipment and Detection	17,000	62,000	20,000	20,000	20,000	20,000
Fire Risk Assessments	9,800	20,000	37,400	27,900	17,400	11,800
Fire Alarm Servicing	0	23,300	24,000	24,700	25,400	26,200
Solar Panel and Sprinkler Servicing	0	6,200	7,300	8,400	6,000	7,000
Installation of CO2 detectors (See note 6 below)	0	23,700	0	0	0	0
Stock Condition Survey (See note 7 below)	0	155,000	0	0	0	0
Lift servicing, maintenance and installation	55,000	50,000	56,700	58,400	60,200	62,000
Disabled Adaptations	30,000	45,000	30,000	30,000	30,000	30,000
Door Porter and Security Systems	20,000	25,000	20,000	20,000	20,000	20,000
Environmental Works/Energy Efficiency software	7,500	7,500	7,500	7,500	7,500	7,500
Drainage and Pumping Stations	9,600	9,600	9,600	9,600	9,600	9,600
Mutual Exchange	10,000	10,000	10,000	10,000	10,000	10,000
Rechargeable Works - Incl's Leaseholder Properties	40,000	40,000	40,000	40,000	40,000	40,000
Servicing Contracts & Repairs	486,000	469,000	536,000	552,000	568,500	585,500
Total Responsive Maintenance	6,469,900	6,602,000	7,318,500	7,343,000	7,493,400	7,640,500
Planned Maintenance	£	£	£	£	£	£
Chimneys	20,000	10,000	10,000	10,000	10,000	10,000
External Walls, Boundary and retaining walls	60,000	35,000	60,000	60,000	60,000	60,000
Canopy's and Porches	15,000	0	0	0	0	0
Paths / Hardstanding	250,000	50,000	180,000	180,000	180,000	180,000
Outbuildings	40,000	10,000	20,000	20,000	20,000	20,000
Structural / Damp / Drainage / etc (See note 4 below)	80,000	70,000	160,000	160,000	160,000	160,000
Total Planned Maintenance	465,000	175,000	430,000	430,000	430,000	430,000
Total HRA Housing Repairs	6,934,900	6,777,000	7,748,500	7,773,000	7,923,400	8,070,500

Notes:

Note 1 - Supervision and Management of the Repairs and Maintenance Team, unrecoverable cost, stock and equipment.

Note 2 - New Contract Compliance Team managing compliance contracts including fire safety.

Note 3 - Previously a £50,000 revenue budget held. This has been replaced with a £500,000 Capital Budget to focus investment in this area.

Note 4 - Programme of works being worked up during 2023-24 to be implemented from 2024/25 onwards.

Note 5 - Roof cleaning to be combines with external dec works. Not required to be held separate.

Note 6 - Fitting of CO2 Detectors - most of the work was completed in 2022-23, remaining balance paid in 2023-24.

Note 7 - Work planned for 2022-23, now being completed in 2023-24, and contract extended to cover more properties.

Appendix E

HRA BALANCE AND RESERVE SUMMARY

HRA WORKING BALANCE

		2023/24 Movements			2024/25 Movements			2025/26 Movements			2026/27 Movements			2027/28 Movements			Closing Balance 31/03/28	
		Closing Balance 31/03/23	Transfer In	Transfer Out	Closing Balance 31/03/24	Transfer In	Transfer Out	Closing Balance 31/03/25	Transfer In	Transfer Out	Closing Balance 31/03/26	Transfer In	Transfer Out	Closing Balance 31/03/27	Transfer In	Transfer Out		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
HRA Working Balance	60999-98652	-4,363	-	107	0	-4,470	-	2,080	-2,390	0	12	-2,378	(68)	-	-2,446	(87)	-	-2,533
10% Requirement	(Exc interest income)	-2,085			-2,167			-2,338				-2,366			-2,429			-2,482

HRA EARMARKED RESERVES

		2023/24 Movements			2024/25 Movements			2025/26 Movements			2026/27 Movements			2027/28 Movements			Closing Balance 31/03/28
		Closing Balance 31/03/23	Transfer In	Transfer Out	Closing Balance 31/03/24	Transfer In	Transfer Out	Closing Balance 31/03/25	Transfer In	Transfer Out	Closing Balance 31/03/26	Transfer In	Transfer Out	Closing Balance 31/03/27	Transfer In	Transfer Out	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Debt Repayment Reserve	60791-ER0400	-13,000	-	-	-13,000	-	1,800	-11,200	(200)	-	-11,400	(450)	10,000	-1,850	(1,150)	-	-3,000
HRA DHP topup Reserve	60791-ER0405	-499	-	209	-290	-	89	-201	-	28	-173	-	29	-144	-	30	-114
MMI Reserve	60791-ER0410	-60	-	-	-60	-	-	-60	-	-	-60	-	-	-60	-	-	-60
Acquisition & Development Reserve	60791-ER0420	-5,000	-	3,514	-1,486	-	1,486	-	-	-	-	-	-	-	-	-	-
Brownfield Land release Reserve	60791-ER0431	0	(4,204)	-	-4,204	-	1,000	3,204	-	1,500	1,704	-	1,704	-	-	-	-
Brampton Sinking Fund	60791-ER0430	-2	(1)	-	-3	(1)	-	-4	(1)	-	-5	(1)	-	-6	(1)	-	-7
Total HRA Earmarked Reserves		-18,561	-4,205	3,723	-19,043	-1	4,375	-14,669	-201	1,528.00	-13,342	-451	11,733	-2,060	-1,151	30	-3,181

HRA CAPITAL RESERVE

		2023/24 Movements			2024/25 Movements			2025/26 Movements			2026/27 Movements			2027/28 Movements			Closing Balance 31/03/28
		Closing Balance 31/03/23	Transfer In	Transfer Out	Closing Balance 31/03/24	Transfer In	Transfer Out	Closing Balance 31/03/25	Transfer In	Transfer Out	Closing Balance 31/03/26	Transfer In	Transfer Out	Closing Balance 31/03/27	Transfer In	Transfer Out	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
HRA Major Repairs Reserve	98499-60010..60999	-15,780	(4,174)	4,092	-15,862	(4,605)	8,404	-12,063	(5,073)	10,498	-6,638	(5,370)	5,290	-6,718	(5,490)	4,790	-7,418

HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

Income	2024/25	2025/26	2026/27	2027/28
Dwelling rents annual increase (see paragraph 3.16)	7.7%	3.4%	3.1%	3.1%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase	3.0%	3.0%	3.0%	3.0%
Charges for services & facilities annual increase *	N/A	3.00%	3.00%	3.00%
Write-off allowance **	£0	£50,000	£50,000	£50,000
Number of dwellings lost through Right To Buys (RTB's)	15	30	30	30
Number of dwellings lost to demolition	0	90	0	0
Number of new dwellings added to the stock	25	81	20	31
Average interest rate on HRA balances	4.00%	3.00%	3.00%	2.00%

Expenditure

Bad Debt Provision

Due to the rents and service charge refunds an assumption has been made that there will be a reduction in the bad debt requirement during 2023/24, and then a small increase has been added for future years. This will be revised each year.

* The 2024/25 service charges have varying increases, see Appendix C. 3% has been applied to future years inline with increased budget costs.

** No write-off allowance is included in 2024/25 while the rent and service charge audit is being carried out and potential refunds are to be processed.



SCRUTINY COMMITTEE
Thursday, 18 January 2024

Subject	Draft General Fund Budget and Council Tax Report 2024/25
Cabinet Member	Councillor Vince Langdon-Morris, Cabinet Member with responsibility for Resources and Value for Money
Report Author(s)	<p>Lorraine Rogers Chief Finance Officer and Section 151 Officer Lorraine.rogers@eastsoffolk.gov.uk</p> <p>Georgina Peck Finance Business Partner/Acting Finance Planning Manager Georgina.peck@eastsoffolk.gov.uk</p> <p>Danielle Patterson Finance Business Partner/Acting Finance Planning Manager Danielle.patterson@eastsoffolk.gov.uk</p>
Head of Service	<p>Lorraine Rogers Chief Finance Officer and Section 151 Officer Lorraine.rogers@eastsoffolk.gov.uk</p>
Director	<p>Chris Bally Chief Executive Chris.bally@eastsoffolk.gov.uk</p>

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	N/A
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report sets out a further update to the draft Medium Term Financial Strategy (MTFS), taking account of new and revised risks, and presents an initial draft of the Council's General Fund Budget for 2024/25.

At the end of the 2024/25 budget process, the Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax.

This report provides the Scrutiny Committee with an opportunity to review and make recommendations upon Cabinet recommendations for the proposed Budget and the Band D Council Tax for 2024/25. The recommendations will be considered by Cabinet at its meeting on 6 February 2024.

This report also forms the basis of the Scrutiny Committee's review of the Budget as required under the Budget and Policy Framework.

Options:

The consideration of the MTFS by Members at an early stage of the budget process is essential, especially in order to commence actions to achieve a balanced budget and sustainable medium-term position. Setting a balanced budget for the coming year is a statutory requirement, therefore no other options are considered appropriate.

Recommendation/s:

That the Scrutiny Committee reviews and makes recommendations to Cabinet on the following Cabinet recommendations to Full Council;

1. Approves the draft 2024/25 General Fund Revenue Budget as set out in this report and summarised in **Appendix A5** and notes the budget forecast for 2025/26 and beyond.
2. Approves a proposed Band D Council Tax for East Suffolk Council of £186.57 for 2024/25, an increase of £5.40 or 2.98%.

Corporate Impact Assessment

Governance:

The draft budget and MTFS provides the framework for budget discussions for the forthcoming financial year. The MTFS is an essential element in achieving a balanced budget and a sustainable medium term position, whilst setting a balanced budget for the coming year is a statutory requirement. Prior to Full Council approving the 2024/25 Budget at its meeting on 21 February, the draft budget and MTFS is considered at the following meetings;

- Cabinet 2 January 2024
- Scrutiny Committee 18 January 2024
- Cabinet 6 February 2024

ESC policies and strategies that directly apply to the proposal:

- Our Direction 2028

- East Suffolk Medium Term Financial Strategy
- Capital Programme
- Housing Revenue Account
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Finance Procedure Rules
- Financial Management Code

Environmental:

There are no environmental impacts related to this report.

Equalities and Diversity:

An Equality Impact Assessment is not applicable at this stage of the MTFS. The purpose of this report is to provide Members with an update on the budget and the MTFS as of December 2023. This assessment will be completed on the finalisation of the budget for approval in February 2024 and the results taken into consideration.

Financial:

Detailed financial analysis and commentary is included in **Appendix A**.

Human Resources:

There are no Human Resource implications directly arising from this report.

ICT:

There are no ICT implications identified.

Legal:

Section 25 of the Local Government Act 2003 places a personal duty on an authority's "Chief Financial Officer" to make a report to Council about the robustness of the estimates made for the purposes of the Council Tax calculations and the adequacy of financial reserves and balances.

The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon and require the Council to set a balance budget with regard to the advice of its Section 151 Officer.

Risk:

Part of the process of delivering a robust medium-term strategy to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in **Appendix A1**.

External Consultees:

Budget-related consultation questions formed part of the permanent residents' survey, which was live via the ESC website during 2023. The results of the survey will be incorporated into the final budget paper.

Cabinet considered the report at its meeting on 2 January and the GLI Group held a budget overview meeting on 4 January.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p>How does this proposal support the priorities selected?</p> <p>By ensuring the robustness of the MTFS and adequate reserves and balances for the Council. The MTFS underpins and supports the delivery of the strategic direction of East Suffolk Council.</p> <p>The report forms an important element of good governance, ensure financial sustainability and putting the Council's assets to good use. It highlights areas of financial risk which will impact on the Council's MTFS.</p>			

Background and Justification for Recommendation

1 Background facts	
1.1	The MTFS sets the strategic financial direction for the Council. It sets out the key financial management principles, budget assumptions and service issues.
1.2	<p>The MTFS provides a framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Strategic Plan. It provides a sound basis for planning and decision making, and is reviewed and updated at the following key points in the year:</p> <ul style="list-style-type: none"> • November/December – as a framework for initial detailed budget discussions for the forthcoming financial year. • January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build. • February – with the final budget for the new financial year.
1.3	<p>The key underlying principles of the MTFS are:</p> <ul style="list-style-type: none"> • securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending; • setting modest increases in Council Tax when appropriate; and • delivering service efficiencies and generating additional income where there are opportunities to do so.

2 Current position	
2.1	<p>Economic Outlook: The national economic background affects the costs the Council incurs, the funding it receives, and the demand for services as residents are affected by economic circumstances.</p>
2.2	The twelve-month Consumer Price Index (CPI) inflation to November 2023 was 3.9%, down from 4.6% in October. For local government, the September CPI (6.7% for September 2023) is important because it will be used to index the business rates multiplier, and to uplift Revenue Support Grant (RSG) and the baselines within the Business Rates Retention System (BRRS). The Bank of England projects CPI inflation to fall to around 4.5% by the end of year and to continue to fall towards its target of 2% next year.
2.3	At its meeting on 13 December 2023, the Bank of England’s Monetary Policy Committee (MPC) voted by a majority of 6-3 to maintain the Bank Rate at 5.25%. Three members of the Committee preferred an increase of 0.25% to 5.5%. The next meeting of the MPC to review the bank rate is 31 January 2024.
2.4	<p>Local Government Finance: The Government published the Local government finance policy statement 2024 to 2025 on 5 December 2023 which set out the government’s intention for the local Government Finance Settlement for 2024/25. Details of the policy are provided in Appendix B.</p>

2.5	On 18 December DLUHC published the Provisional Local Government Finance Settlement for 2024/25. A summary of this is provided in Appendix C . This report includes the funding allocations for the Council as set out in the Provisional Settlement. Further details are provided in Section 4.4 to 4.11 of Appendix A . The most significant change to funding from the original budget assumptions for the Council is New Homes Bonus for another year, of £0.651m. Other settlement grants have either increased or decreased, but the overall funding position for the Council remains relatively unchanged, with only an additional £16,800 of funding compared to the original budget for next year.
2.6	Business Rates: In October all Suffolk councils agreed to continue a pooling arrangement for 2024/25, which would allow them to retain a larger proportion of their share of growth by reducing the overall levy rate for Suffolk to £nil. Suffolk County Council is the administering authority for the Pool and collates the NNDR1 returns of all of the Suffolk authorities. The MTFs update includes a Pooling Benefit estimate for 2024/25 of £4.6m. This will be reviewed later in the budget process and following the completion of the NNDR1 return for 2024/25 in January. The MTFs includes a reducing amount for Pooling Benefit beyond 2025/26, reflecting uncertainty in the system going forward.
2.7	The MTFs assumption is that the Council will continue to retain 100% Business Rates income from renewables.
2.8	Business Rates income for 2024/25 is based on the NNDR1 return. All Business Rates estimates included in the MTFs will be updated following the completion of the return at the end of January 2024. This will include the split between Section 31 Grant and actual rates income.
2.9	Council Tax: Council Tax is one of the Council's most important and stable income streams, funding approximately 40% of the net budget requirement of the Council.
2.10	The increase in the tax base for East Suffolk is currently estimated to be 677.81 (0.75%) Band D equivalent properties, increasing the overall tax base for East Suffolk from 90,340.92 to 91,018.73 for 2024/25. This equates to around £0.123m of additional Council Tax income to the Council based on the current District Band D Council Tax of £181.17. The 2024/25 Council Tax Base was reported to Cabinet on 5 December 2023.
2.11	The 2024/25 provisional settlement confirms a council tax referendum principle for shire district councils of up to 2.99% or £5, whichever is higher. The proposed Council Tax increase of up to the referendum principle for 2024/25, would equate to a District Band D Council Tax for East Suffolk of £186.57, an increase of £5.40 or 2.98%. It would generate approximately £0.492m of additional income for East Suffolk. Total income to the Council from Council Tax would be £16.982m.
2.12	Council Tax Premium on Second Homes - The Levelling-up and Regeneration Bill received Royal Assent at the end of October 2023 which included giving billing authorities the discretion to charge a 100% premium on second homes or empty dwellings. It gives billing authorities the power to charge a 100% premium on "dwellings occupied periodically". At its meeting on 25 January 2023, Full Council approve this in principle, subject to the Bill receiving Royal Assent. In order to implement the premium, a clear 12 month period and a full financial year's notice is required. Therefore the earliest a Second Home Premium could be charged is the 1 April 2025. Although the Act has been passed the categories of properties exempted from the second home premium have not yet been disclosed and

	regulation is being awaited. Given the number of second homes in Suffolk, this 100% council tax premium should represent a significant addition to the income stream from Council Tax. It is estimated that this could generate in the region of £8m in East Suffolk - £6.2m for Suffolk County Council, over £1m for Suffolk Police, and £0.700m for East Suffolk Council. The current MTFS does not yet take account of this potential additional income for East Suffolk Council.
2.13	<p>MTFS Forecasts 2024/25 to 2027/28:</p> <p>The budget continues to be reviewed and the following key areas of the budget are yet to be finalised which could lead to further movements on the budgets;</p> <ul style="list-style-type: none"> • East Suffolk Services Ltd (ESSL) • Business rates income • Final Local Government Settlement for 2024/25 • Transfers to/from reserves as a result of the above.
2.14	In the Budget report to Full Council in February 2023 the MTFS reported an annual General Fund budget gap for 2024/25 of £3.511m and rising to £6.405m by 2026/27. The current update forecasts this annual gap falling to £2.253m in 2024/25 and rising to £7.961m by 2027/28. Further details are provided in Appendix A4 . Cost pressures are mainly being driven by pay awards and inflationary pressures. Staffing costs represent approximately 50% of the Council's direct costs. Additional income is being recognised from Council assets, and the return on investment income from treasury management activities is performing well due to high interest rates.
2.15	<p>Reserves and Balances:</p> <p>The total balance of General Fund Earmarked Reserves was £48.57m as of 1 April 2023, and the current projected balance at the end of the April 2027 is £32.16m. Reserve movements are still to be finalised and do not include any use of reserves to fund budget gaps as presented in Appendix A5. The General Fund balance remains at £6m, with no planned use over the current MTFS. This will be reviewed before the end of the budget process to consider if this is still an appropriate level of balance, given the increased pressure and funding uncertainty going forward.</p>
2.16	The detailed budget process includes an assessment of risk, the adequacy of the General Fund balance and a review of earmarked reserves. This review evaluates the need to create and/or change earmarked reserve levels and to release reserves which are no longer required, thereby becoming a one-off resource for the Council. As part of this year's review it will include a refresh of the reason for/purpose of each reserve, and how and when they can be used.

3 How to address current situation

3.1	The Council has a statutory duty to deliver a balanced budget for the forthcoming year and Full Council will consider this budget at its February 2024 meeting.
3.2	The Finance team continues to work with officers and the Corporate Leadership Team throughout the budget setting process which will lead to continual updating of the MTFS until a balance budget is achieved.
3.3	Part of the process of delivering a robust medium term strategy to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in Appendix A1 of the MTFS.

3.4	Section 25 of the Local Government Act 2003 places a personal duty on an authority's Chief Financial Officer to make a report to Council about the robustness of the estimates made for the purposes of the council tax calculations and the adequacy of financial reserves and balances. The Act also requires the Council to have regard to the report before it makes its budget and council tax decisions.
3.5	In relation to the statutory duty under the Act, the Chief Financial Officer considers that the estimates are robust; the General Fund Balance is within the guideline levels established as part of the MTFs; and the contributions to and use of earmarked reserves will assist the Council in meeting its financial challenges and developing its response to the pandemic and the objective of financial sustainability.
3.6	The Chief Finance Officer's report will be reported to Full Council when it considers the budget for 2024/25 on 21 February 2024. The report statement will clearly set out the budget assumptions used to arrive at the final recommendations.

4 Reason/s for recommendation

4.1	This report brings together the relevant information to enable Members to review, consider, and comment upon the Council's General Fund revenue budgets before making final recommendations to Council on 21 February 2024. This report also forms the basis of the Scrutiny Committee's review of the Budget as required under the Budget and Policy Framework.
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Appendices

Appendices:

Appendix A	Medium Term Financial Strategy (December 2023 update)
Appendix A1	MTFS Key Principles and Risk Analysis
Appendix A2	East Suffolk Council Tax Base 2024/25
Appendix A3	NHB Reserve Summary 2023/24 to 2027/28
Appendix A4	MTFS Updates as at December 2023 – Key Items
Appendix A5	General Fund Revenue Budget Summary 2024/25 to 2027/28
Appendix B	DLUHC - Local government finance policy statement 2024 to 2025
Appendix C	Provisional Local Government Finance Settlement 2024/25

Background reference papers:

Date	Type	Available From
02/11/2023	Bank of England Monetary Policy Report – December 2023	https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/december-2023
22/11/2023	Chancellor's Autumn Statement 2023	Autumn Statement 2023 - GOV.UK (www.gov.uk)

22/11/2023	Office for Budget Responsibility - Economic and fiscal outlook – November 2023	Economic and fiscal outlook – November 2023 - Office for Budget Responsibility (obr.uk)
05/12/2023	DLUHC - Local government finance policy statement 2024 to 2025	Local government finance policy statement 2024 to 2025 - GOV.UK (www.gov.uk)
18/12/2023	Provisional local government finance settlement: England, 2024 to 2025	https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025 https://questions-statements.parliament.uk/written-statements/detail/2023-12-18/hcws148



EAST SUFFOLK COUNCIL

**MEDIUM TERM FINANCIAL STRATEGY
2024/25 – 2027/28**

DECEMBER 2023

1 INTRODUCTION

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council. It sets out the key financial management principles, budget assumptions and service issues.
- 1.2 The MTFS provides a framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Strategic Plan. It provides a sound basis for planning and decision making, and is reviewed and updated at the following key points in the year:
- November/December – as a framework for initial detailed budget discussions for the forthcoming financial year.
 - January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build.
 - February – with the final budget for the new financial year.
- 1.3 The MTFS underpins the strategic direction for East Suffolk ‘Our Direction 2028’, focusing on the following four themes and priorities, whilst recognising the financial challenges;
- Environmental Impact
 - Thriving Economy
 - Tackling Inequalities
 - Sustainable Housing
- 1.4 The MTFS provides an integrated view of the Council’s finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally.
- 1.5 The key underlying principles of the MTFS are:
- securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending;
 - setting increases in Council Tax when appropriate; and
 - delivering service efficiencies and generating additional income where there are opportunities to do so.
- 1.6 Part of the process of delivering a robust MTFS to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in **Appendix A1**.
- 1.7 Sections 2 to 4 provide an update on the financial challenges facing the Council, considering the economic factors, the local government finance environment, and the Council’s key funding streams. Sections 5 to 7 outline how the Council will respond to the challenges, as expressed in terms of its budget and strategies towards reserves and capital.

2 PUBLIC FINANCES

- 2.1 On 22 November 2023 the Chancellor held the Autumn Statement 2023. No new funding was announced for local authorities, and the outlook for local government spending reviews continues to look very tight, with pressure on the public sector to achieve 0.5% annual productivity improvements. The Autumn Statement focused on reducing debt, cutting tax and rewarding hard work, back British business, building domestic and sustainable energy and delivering world-class education.
- 2.2 Following the Autumn Statement, concern over the financial sustainability of many councils across the country continues to be highlighted. Government funding for councils has increased in recent years, but a combination of high inflation and rising demand for services places unprecedented pressure on local authority budgets. Longer-term funding certainty is required, alongside promised reform of the funding system which has been delayed for several years now.

3 ECONOMIC INDICATORS

- 3.1 The Office for Budget Responsibility (OBR) published its latest report to coincide with the Autumn Statement. The OBR provides an independent judgement about economic and fiscal prospects and the impact of government policies.
- 3.2 The latest report from the OBR indicates that the economy recovered more fully from the pandemic and has been resilient to the energy crisis. The economy is expected to grow more slowly over the medium term and inflation is expected to be more persistent and domestically fuelled. The OBR forecasts inflation to continue to fall gradually, with Consumer Price Index (CPI) inflation expected to fall further to 2.8% in Quarter 4 of 2024. CPI inflation is expected to fall below 2% during 2025 to 2027, before returning to the Bank of England's target of 2%. Interest rates are also expected to remain higher for longer to control inflation.
- 3.3 The current economic environment is one of high inflation and high interest rates. The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances.

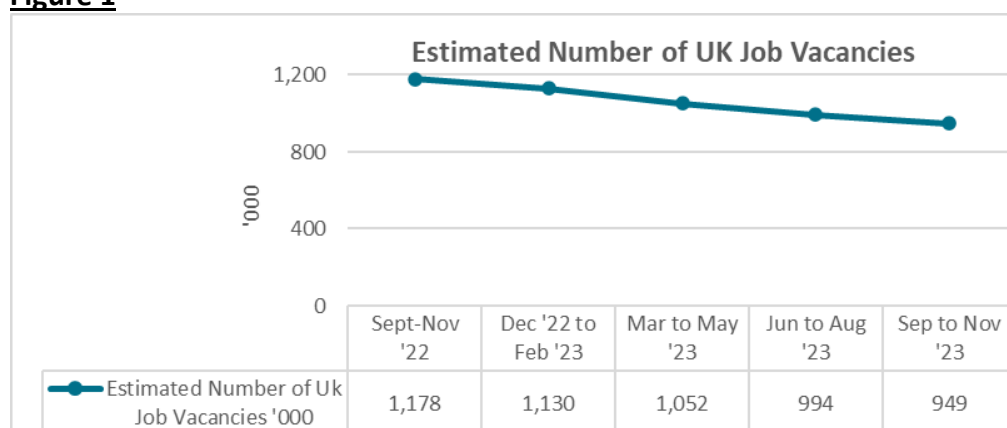
Gross Domestic Product (GDP)

- 3.4 Data released by the Office for National Statistics (ONS) in November, estimates no GDP growth in Quarter 3 2023 (July to September), compared to a 0.2% increase in Quarter 2. In output terms, there was 0.1% increase in construction output which offset a 0.1% fall in the services sector. There was a fall in household consumption from lower spending on miscellaneous goods and services, transport, and spending on food and non-alcoholic drink. There was also a decrease in government spending, particularly in the areas of health and education.

Employment

- 3.5 The OBR central forecast for unemployment expects this to rise to 1.6 million people (4.6% of the labour force) in the second quarter of 2025, which reflects rising interest rates and slower GDP growth.
- 3.6 As per the ONS, in September to November 2023 the estimated number of job vacancies in the UK was 949,000. This is down by 229,000 a year ago but remains 148,000 above pre-pandemic levels (January to March 2020). See **Figure 1** below.

Figure 1

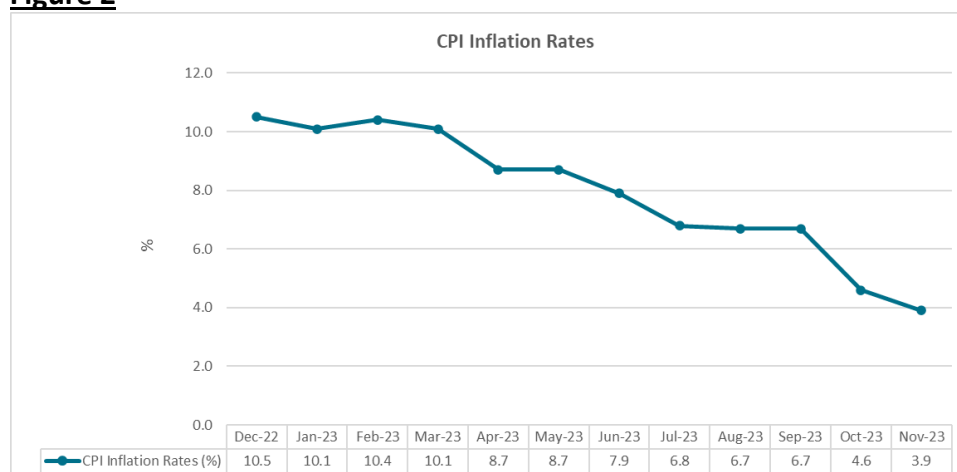


Source: ONS December 2023

- 3.7 The national living wage will increase from 1 April 2024 by 9.8% to £11.44 with the age threshold lowered from 23 to 21 years old.

Consumer Pricing Index (CPI)

- 3.8 Twelve-month CPI inflation to November 2023 was 3.9%, down from 4.6% in October. The largest downward contribution came from transport, recreation, culture, and food.
- 3.9 The Bank of England projects for CPI inflation to fall to around 4.5% by the end of the year and to continue to fall towards the 2% target next year.
- 3.10 For local government, the September CPI is important because it will be used to index the business rates multiplier, uplift Revenue Support Grant (RSG) and the baselines within the Business Rates Retention System (BRRS).
- 3.11 **Figure 2** below shows the CPI rates from December 2022 to date.

Figure 2

Source: ONS December 2023

Bank Interest Rate

- 3.12 At its meeting on 13 December 2023, the Bank of England’s Monetary Policy Committee (MPC) voted by a majority of 6-3 to maintain the Bank Rate at 5.25%. Three members of the Committee preferred an increase of 0.25% to 5.5%. The next meeting of the MPC to review the bank rate is 31 January 2024.

4 LOCAL GOVERNMENT FINANCE

- 4.1 The introduction of the Local Business Rates Retention System in 2013/14, together with the Government’s programme of fiscal consolidation since 2010, have combined to both reduce the level of funding available to the Council, and to shift the balance of funding significantly away from central to local sources.
- 4.2 The Spending Review 2021, which covered 2022/23 to 2024/25 was broadly positive for local government, with funding better than expected. Increased funding was largely front loaded with growth in grant funding in 2022/23 and no further general increases in the following two years. There were various smaller allocations within the core funding announcement, including £200m for the “cross-government Supporting Families programme”, £37.8m for cyber security and £34.5m for “strengthen local delivery and transparency”.
- 4.3 On 5 December 2023 DLUHC published a Local Government Finance Policy Statement 2024/25. This set out the government’s intention for the local Government Finance Settlement for 2024/25. This builds on the policy statement released the same time last year, with no significant change to funding proposals. It is noted in the policy statement that in recognition of pressures across the sector, all authorities will see at least 3% increase in their Core Spending Powers before any decision on organisation efficiencies, use of reserves, and council tax levels, through the Funding Guarantee. There will also be another year of New Homes Bonus.
- 4.4 The provisional settlement was released on 18 December and for East Suffolk Council provided no additional funding above what was original budgeted, the only exception being another year of New Homes Bonus (NHB). The government has launched a consultation on the provisional settlement which will run until 15 January. Responses will

be considered before the release of the final settlement so there is the potential for changes to be made in the final settlement. The increase in the Council's core spending power as per the Provisional Settlement for 2024/25 is 4.8% (4.9% 2023/24).

- 4.5 **Core Funding Streams** – this includes the Revenue Support Grant and the Rural Services Delivery Grant.

Revenue Support Grant (RSG)

- 4.6 From 2023/24 two existing grants have been rolled into RSG - Local Council Tax Administration Grant and the Family Annexe Council Tax Grant. Both grants are currently received by the Council separately and are not new grants. As per the Provisional Settlement for 2024/25 the RSG allocation is £0.750m. For the MTFs, 2025/26 has also been increased in line with 2024/25, but future years are kept at a lower amount due to uncertainty with Government funding going forward.

Revenue Support Grant	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
MTFS (December 2023)	(703)	(750)	(750)	(346)	(346)

Rural Services Delivery Grant (RSDG)

- 4.7 The Rural Services Delivery Grant (RSDG) is a government grant recognising cost pressures associated with service delivery in rural sparse areas. In the Provisional Settlement for next year this grant has been rolled forward from 2023/24 with no increase. This position is reflected across all years of the MTFs.

Rural Services Delivery Grant	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
MTFS (December 2023)	(291)	(291)	(291)	(291)	(291)

- 4.8 **Non-Core Funding Streams** - the below grants are non-core funding streams and they are usually seen as temporary or one-off. This potentially gives the Government scope to make changes to funding distributions.

Services Grant

- 4.9 This was a new one-off grant in 2022/23 to provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. This funding continued in 2023/24 but at a reduced level from £0.477m to £0.280m. For 2024/25 there were indication at the time of the Policy Statement that there may be some reduction to this grant for the sector, however in the Provision Settlement this reduction went much further than expected. For East Suffolk this grant has been removed completely for 2024/25. The MTFs had originally assumed an annual grant of £0.269m but this has now been removed.

Funding Guarantee Allocation

- 4.10 For 2023/24 the Government announced repurposing the Lower Tier Services Grant (LTSG) (£0.311m for East Suffolk) and a proportion of the expired New Homes Bonus legacy

payments to ensure that all councils would see at least a 3% increase in Core Spending Power before any decisions about organisational efficiencies, use of reserves or Council Tax levels. The LTSG was abolished and repurposed towards this new funding stream, the Funding Guarantee Allocation, in recognition of the inflationary pressures across local authorities. For 2023/24 the Council received an allocation of £1.51m. In the Provision Settlement for 2024/25 this grant is to continue at a slightly higher amount of £1.63m, which partly compensates for the loss of the Services Grant. The current MTFs assumes a continuation of this funding, but at a lower amount from 2026/27.

Funding Guarantee Allocation	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
MTFS (December 2023)	(1,512)	(1,630)	(1,630)	(1,519)	(1,519)

Business Rates – Business Rates Retention and Fair Funding Review

- 4.11 In February 2016 a Fair Funding Review was also announced, which will affect how funding is allocated and redistributed between local authorities. Implementation of this review has been delayed and is now unlikely to be implemented before 2026/27, a shift from 2025/26 at the last budget setting round.
- 4.12 Implementation of the Fair Funding Review is likely to include a 'reset' of the business rates system, which would involve assigning a new baseline funding level and subsequent new tariff or top-up values. Reset of the system and the establishment of new funding formulae could result in East Suffolk Council losing some of the financial advantage that it has under the current system. As a result of the delay in implementing Business Rates reforms, the Council has benefited from additional years under the current regime. This base assumption has been rolled forward in the MTFs and the figures presented in paragraph 4.16 below.

Business Rates

- 4.13 Since 2013/14, business rates income has tended to be characterised by a high degree of volatility and uncertainty. Variances between estimated and actual business rate income are realised in the form of deficits or surpluses on the business rates element of the Collection Fund. For each year, the amount of business rates income credited to the General Fund is the amount estimated on the National Non-Domestic Rate (NNDR1) return to Government submitted in January in the preceding year, including a calculation of the estimated Collection Fund deficit or surplus to be charged to the General Fund. As a result, in practice, variances between business rates estimates and actual figures are reflected as an element of the Collection Fund deficit or surplus two years after they take place. The figure for the 2024/25 Collection Fund deficit will be calculated in January 2024 for the budget process.
- 4.14 **Suffolk Pool** – In October 2023 all Suffolk councils agreed to continue a pooling arrangement for 2024/25, which would allow them to retain a larger proportion of their share of growth by reducing the overall levy rate for Suffolk to £nil. Suffolk County Council is the administering authority for the Pool and collates the NNDR1 returns of all of the Suffolk authorities. In addition, and for 2024/25 only, Suffolk Public Sector Leaders (SPSL) have agreed for their share of the pooling benefit for next year, to be distributed to the pool members using the same methodology as for the normal distribution. Demand and

inflationary pressures are having a significant impact on council budgets and this will provide additional financial support through these pressures and to assist with setting balanced budgets and to protect council services. The Council is currently estimated to receive a Pooling Benefit for next year of £3.9m. In addition to this, the Pool also holds a £2m contingency reserve, also to be re-distributed to the Pool members in 2024/25. The total estimated value for the Pooling Benefit to the Council is £4.6m, this is £3.6m above the current budget for next year.

- 4.15 Business Rates income for 2024/25 is based on the NNDR1 return. All Business Rates estimates included in the MTFs, including the Pooling Benefit will be updated following the completion of the return in January 2024. This will include the split between Section 31 Grant and actual rates income. The MTFs includes a reducing Pooling Benefit estimate for 2026/27 onwards, reflecting the uncertainty with reform of the system.
- 4.16 As referred to earlier, the Business Rates system may be subject to reform after 2026/27 with the changes potentially not impacting as seriously as previously forecast. In light of the impending reform, the approach that has been taken is to roll forward the estimates for 2023/24 through to 2027/28, with the exception being a tapering of the Pooling Benefit estimate. This is to reflect a cautious approach to the overall Business Rates income position in the latter years of the MTFs. Inflation in the system and the interaction between business rates income and the 2023 Revaluation adjustment improved the position for 2023/24, and it is uncertain how this will impact in 2024/25. This position will not become clear until the NNDR1 is completed in January. To plan for mitigating this, surplus income (£2.46m) from Business Rates, over and above addressing the budget gap for the current year (2023/24), has been transferred to the Business Rates Equalisation Reserve. The MTFs assumption is that the Council will continue to retain 100% Business Rates income from renewables, and this has been reflected in the table below. It is also worth noting that even if the current treatment of existing renewables is revised, any new renewable hereditaments coming online during the MTFs period will improve the forecast position.

Business Rates Income	Original 2023/24 £'000	MTFS 2024/25 £'000	MTFS 2025/26 £'000	MTFS 2026/27 £'000	MTFS 2027/28 £'000
Business Rates Income	(6,852)	(6,852)	(6,852)	(6,852)	(6,852)
Business Rates Renewables	(1,560)	(1,560)	(1,560)	(1,560)	(1,560)
Total Business Rates Income	(8,412)	(8,412)	(8,412)	(8,412)	(8,412)
Share of Pooling Benefit	(2,000)	(4,600)	(2,000)	(1,000)	(500)
Section 31 Grant	(10,677)	(10,677)	(10,677)	(10,677)	(10,677)
Total Income Relating to Business Rates	(21,089)	(23,689)	(21,089)	(20,089)	(19,589)

Council Tax

- 4.17 Council Tax is one of the Council's most important and stable income streams, funding approximately 40% of the net budget requirement of the Council. The Provisional Settlement for 2024/25 confirms a council tax referendum principle for shire district councils of up to 2.99% or £5, whichever is higher.

- 4.18 **Council Tax Base** – The CTB1 Council Tax Base Return was submitted to Government on 2 October 2023.
- 4.19 The 2024/25 Council Tax Base at **Appendix A2** was approved by Cabinet at its meeting on 5 December 2023. The increase in the tax base for East Suffolk is currently estimated to be 677.81 (0.75%) Band D equivalent properties, increasing the overall tax base for East Suffolk from 90,340.92 to 91,018.73 for 2024/25. This equates to around £0.123m of additional Council Tax income to the Council based on the current District Band D Council Tax of £181.17.
- 4.20 **District Band D Council Tax 2024/25** – The proposed increase of up to the referendum principle for 2024/25, equates to a District Band D Council Tax for East Suffolk of £186.57, an increase of £5.40 or 2.98%. It would generate approximately £0.492m of additional income for East Suffolk. Total income to the Council from Council Tax would be £16.982m.
- 4.21 Based on the above data, the table below sets out the current estimated Council Tax income based on the referendum limits of 2.99% or £5, whichever is higher and is included in the MTFS.

Council Tax Income	2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000
Council Tax Income - Base	(15,688)	(16,367)	(16,982)	(17,502)	(18,026)
Growth in Tax Base	(232)	(123)	(68)	(70)	(72)
Council Tax Increase	(447)	(492)	(452)	(454)	(456)
Total Council Tax Income	(16,367)	(16,982)	(17,502)	(18,026)	(18,554)
Council Tax Band D	£181.17	£186.57	£191.52	£196.47	£201.42
Council Tax Base	90,340.92	91,018.73	91,382.80	91,748.34	92,115.33
Growth/Reduction(-) in Tax Base	1.48%	0.75%	0.40%	0.40%	0.40%
Council Tax Increase £	£4.95	£5.40	£4.95	£4.95	£4.95
Council Tax Increase %	2.81%	2.98%	2.65%	2.58%	2.52%

Assumptions from 2024/25: Council Tax increases of 2.99% or £5, whichever is the higher.

- 4.22 The February 2023 MTFS for 204/25 had assumed growth to the tax base of 0.40% compared to the current estimate of 0.75%. This additional growth of 0.35% is about £0.060m of additional income. From 2025/26 a cautious approach continues to be taken to growth in the overall tax base and this is forecast to fall for the remainder of the MTFS period. This is a combination of development site completions levelling off, and prudent assumptions regarding Local Council Tax reliefs and collection rates. The below table shows the December update to the MTFS for Council Tax income.

MTFS - Council Tax Income	2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000
MTFS February 2023	(16,367)	(16,882)	(17,400)	(17,922)	(17,922)
MTFS December 2023	(16,367)	(16,982)	(17,502)	(18,026)	(18,554)
MTFS Update December 2023	(0)	(100)	(102)	(104)	(632)

- 4.23 **Council Tax Collection Fund** – The current estimate for the Council Tax Collection Fund for 2024/25 is a surplus of £1.091m, with East Suffolk’s share equating to £0.140m. The remaining balance of the surplus is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk.
- 4.24 The Collection Fund is monitored closely throughout the financial year and the Collection Fund position will be confirmed in January 2024.
- 4.25 **Council Tax Premium on Second Homes** - The Levelling-up and Regeneration Bill received Royal Assent at the end of October 2023 which included giving billing authorities the discretion to charge a 100% premium on second homes or empty dwellings. It gives billing authorities the power to charge a 100% premium on “dwellings occupied periodically”. At its meeting on 25 January 2023, Full Council approve this in principle, subject to the Bill receiving Royal Assent. In order to implement the premium, a clear 12 month period and a full financial year’s notice is required. Therefore the earliest a Second Home Premium could be charged is the 1 April 2025. Although the Act has been passed the categories of properties exempted from the second home premium have not yet been disclosed and regulation is being awaited.
- 4.26 Given the number of second homes in Suffolk, this 100% council tax premium should represent a significant addition to the income stream from Council Tax. It is estimated that this could generate in the region of £8m in East Suffolk - £6.2m for Suffolk County Council, over £1m for Suffolk Police, and £0.700m for East Suffolk Council. The current MTFs does not yet take account of this potential additional income for East Suffolk Council.

New Homes Bonus (NHB)

- 4.27 The Government established the New Homes Bonus (NHB) to provide an incentive for local authorities to encourage housing growth in their areas. NHB is funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the New Homes Bonus is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place.
- 4.28 In recent years there has been much uncertainty as to the future of NHB, with the last three years being a one-year settlement and now also confirmed for 2024/25 in the Provisional Settlement at £0.651m.
- 4.29 The Council uses NHB funding to support specific community related projects and initiatives across East Suffolk. This is balanced against the overriding need to retain financial sustainability. NHB funding is transferred to the NHB reserve and released when required. The primary use of the funding is for the East Suffolk Community Partnerships and the Enabling Communities Budgets, totalling approximately £1m per annum. In November 2022, Cabinet considered and approved a paper to continue the Enabling Communities Budgets until March 2027 and for the Community Partnerships to continuing until 2024/25, with a further two years subject to NHB funding being available. This is reflected in the updated position on the NHB Reserve below. No further funding is anticipated beyond 2024/25 and insufficient funding would remain beyond March 2027 to continue both of these initiatives.
- 4.30 **Appendix A3** sets out the current position on the NHB Reserve and the proposed use of NHB funding for East Suffolk Council. This is summarised in the table below.

NHB Reserve	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Forecast 2026/27 £'000	Forecast 2027/28 £'000
Opening Balance	(5,438)	(3,919)	(3,079)	(1,819)	(683)
Add: Allocation Received	(447)	(651)	0	0	0
Less: Proposed Use	1,966	1,491	1,260	1,136	50
Closing Balance	(3,919)	(3,079)	(1,819)	(683)	(633)

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2024/25 to 2027/28

5.1 The Finance team works with Service Areas to review their budget requirements and budget monitoring is an ongoing process between Finance, Service Areas, and the Corporate Leadership Team. This work leads to continual updating of the MTFS for the Council. As of December 2023, key areas of the budget that are yet to be finalised include;

- East Suffolk Services Ltd (ESSL)
- Business rates income
- Announcement of the Local Government Settlement for 2024/25
- Transfers to/from reserves as a result of the above.

5.2 The following areas are identified as having potential revenue budget implications for this financial year and future years. Some areas cannot yet be quantified or quantified with a degree of certainty, i.e. figures are currently being worked on and/or insufficient information available.

Budget Area to be Monitored	Areas Impact	Nature of Impact	Timing of Impact
Asset Management Rent Review.	Council income budgets from assets.	Potential to increase the income to the Council. This will need to be quantified and captured in the update of the Council's MTFS into next year's budget setting.	Current year and going forward.
Capital Programme.	Revenue implications from capital programme revisions.	Additional revenue costs to the General Fund - direct revenue financing, use of reserves, capital charges to revenue, revenue costs to support delivery of capital projects and income generation from capital projects.	On-going
ESSL.	General Fund, HRA and capital programme.	Service investment for ESSL. Council budgets to be updated to reflect management fee to ESSL and some services brought back in-house. Recognition of service investment and improve plan for ESSL and costs pressures in the operations environment, e.g. pay and inflation.	Current year and future years.

Budget Area to be Monitored	Areas Impact	Nature of Impact	Timing of Impact
Inflation.	General Fund, HRA and Capital Programme.	Increasing costs.	Current year and future years.
National pay award for 2024/25.	Council staffing costs.	Current budget assumption is for a 3% increase for Council staffing n 2024/25. Based on the pay settlements for the current year and last year, this would be above the current budget assumption.	2024/25 and future years.
Norse.	Profit share income.	Settlement of 2022/23 profit share (Accrued £0.560m) and April-June 2023/24 (Budgeted £0.074m). The position will be assessed as part of Quarter 3 monitoring.	Current year.
Recruitment difficulties.	Particular area of specialism.	Agency and contract costs may be required which can be more costly. Current forecasts show this being absorbed in existing budgets.	Ongoing.
Treasury Management Investment income.	General Fund and HRA income.	With higher rates of interest this is providing favourable returns on treasury management investments.	Current year and the next 2-3 years.
Workforces pay pressure/grade inflation.	Council staffing costs.	Increased staffing costs. Annual staffing vacancy allowance in the budget is at risk.	Ongoing.

- 5.3 The MTFS was last updated in February 2023. A summary analysis of the key movements as of December 2023 is shown in the following table. This table is supported by **Appendix A4** **Appendix A5**. As noted in paragraph 5.1 above, there is continual updating of the MTFS and there are areas of the budget still to be finalised which are not included in this update.

MTFS Updates	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Additional Cost	4,203	4,264	3,723	4,341
Savings	(1,003)	(1,203)	(1,628)	(1,528)
Additional Income	(6,923)	(3,889)	(2,492)	(2,364)
Reduced Income	255	255	255	255
Use of Reserves	2,210	(260)	532	852
Net Total	(1,258)	(833)	390	1,556

- 5.4 The updated MTFS position resulting from these movements as of December 2023 is shown below.

MTFS Position	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
MTFS February 2023 Budget Gap/(Surplus)	3,511	6,008	6,405	6,405
Net Total of MTFS Updates (Appendix A4)	(1,258)	(833)	390	1,556
MTFS December 2023 Budget Gap/(Surplus)	2,253	5,175	6,795	7,961

Budget Planning Assumptions

5.5 The Council's financial planning assumptions are summarised below:

Budget Area	Assumption
Inflation	
<i>Goods & Services</i>	Where inflation is built into contracts and agreements.
<i>Utilities (Electricity)</i>	2024/25 4.4% increase (November Monetary Policy Report forecast CPI for Q1 2024), future years maintain at the 2024/25 budget.
<i>Utilities (Gas)</i>	2024/25 4.4% increase (November Monetary Policy Report forecast CPI for Q1 2024), future years maintain at the 2024/25 budget.
<i>Utilities (water & Sewage)</i>	2024/25 4.4% increase (November Monetary Policy Report forecast CPI for Q1 2024), future years maintain at the 2024/25 budget.
Fees & Charges	3% increase to be applied for 2024/25 where appropriate.
Staffing Costs	2023/24 Current offer of an additional £1,925 on all SCP 1 and above, 2024/25 3% increase, plus incremental progression, 2025/26 onwards 2% increase, plus incremental progression. 4% per annum of staffing costs for vacancy allowance.
Investment Income	2.75% Call Account (average as of September 2023), (2.15% Sept 2022) 5.19% Money Market Fund (September 2023), (1.73% Sept 2022) 3.80% Property Fund (average as of September 2023), (3.4% Sept 2022) 4.05% Diversified Income Fund (September 2023), (4.05% Sept 2022)

Goods & Services – Inflationary Pressures

- 5.6 The Council's financial strategy has previously assumed for a number of years that any inflationary pressures incurred on goods and services expenditure are contained within existing budgets, or through more efficient spending. The exceptions being utility costs, rates and specific contracts and agreements increases.
- 5.7 It is now recognised that this approach is becoming more challenging with inflation remaining high. Budget headings are therefore being reviewed as part of the process where inflationary increases are evident. For example, subscriptions and software licensing. As mentioned in Section 3, there is an expectation for inflation to gradually fall over the next two year but higher base costs will be part of the Council's budgets going forward due to the current inflationary pressures. The impact of inflation is most evident in the Capital Programme, utilities and insurance premiums, and the Council's Operation services.
- 5.8 Contracts and agreement have been inflated based on the specified inflation indices within each individual contract. Retendering of contracts is part of the Council's strategy for cost reduction and to ensure best value.

Fees and Charges

- 5.9 Fees and Charges are based on the Council's agreed principles of increasing existing fees and charges on a market forces basis, whilst remaining consistent with the Council's Strategic plan and relevant Governments legislation.
- 5.10 Prior to 2022/23, the Council adopted a standard approach, increasing fees and charges in line with price inflation as a minimum uplift. However, given the heightened inflation levels, this approach was not applied for the review of 2023/24 or 2024/25 fees and charges, with a reduced rate of 3% recommended for 2024/25, in line with future forecasts, ensuring the Council remains affordable to its stakeholders.
- 5.11 Charges are reviewed considering local demand, along with reflecting changes in the cost of delivering the services, factoring changes that have either already occurred, or are expecting to occur over the next financial year, with cost recovery aimed to assist in balancing the overall cost pressures. Unless statutory restrictions apply, the Council aims to use all resources available, which includes reviewing opportunities to introduce new fees as appropriate. Proposed fees and charges for 2024/25 were approved by Cabinet at its meeting on 2 January 2024.

Interest Payable and Receivable

- 5.12 **Interest Payable** - The budget for debt interest over the period 2024/25 to 2027/28 totals £1.13m. This has not been revised in this update of the MTFs. The existing loans are all fixed rate loans and therefore not susceptible to market increases. Where the capital programme requires future additional borrowing, the budget will be updated as and when projects are completed and actual borrowing is known.
- 5.13 **Interest Receivable** – Short-dated cash rates are around 5.2% for 3 month rates (4.1%, 6 April 2023) and 12-month rates around 5.55% (4.4%, 6 April 2023). The rates on the Treasury's Debt Management Account Deposit Facility (DMADF) currently range between 5.14% and 5.19% (4% to 4.1%, 6 April 2023).
- 5.14 The Council's investment portfolio in the short term is looking healthy with the prospect of increased returns on investments. In the current year it is expected that actual investment income will exceed the budget of £1.6m, by at least £2.4m. For the MTFs, it is expected for investment income to remain high for the next two years, and then for a cautious approach to be taken with estimates thereafter. For 2024/25, the budget for investment income is being increased by £1.74m and £1.040m the year after. It should be noted that not all of this benefit will be realised in the General Fund, as the HRA share of investment income will also increase.

Establishment Costs

- 5.15 Establishment costs total are the single largest revenue cost for the Council and represents 50% of its total direct expenditure.
- 5.16 **Public Sector Pay** –The 2023/24 pay award was £1,925 (pro rata for part-time employees) on pay points 2 to 43. This exceeded the current budget assumption of 4%, in the region of £0.750m. This will impact all years of the MTFs. The pay award assumption for 2024/25 is current 3% and 2% thereafter. A contingency will be incorporated into the budget for the pay award to be above the current assumption for next year.

- 5.17 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2022. The Fund's Actuary reported the actuarial funding position for the Pension Fund was at 107%, an increase of 8% since the last valuation exercise in 2019. This is the first time that the Fund has reached 100% funding.
- 5.18 The Pension Fund specifically relating to East Suffolk Council is 110% funded, an increase from 99% at the time of the last review on 31 March 2019. The triennial review also sets the employer contribution rates for the next three years – 2023/24 to 2025/26. This was set at 25% and provided 88% probability of success that over 20 years the Pension Fund will remain or achieve 100% funded.

Other Pressures

- 5.19 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.
- 5.20 Ranging from increased demand for services or changes in national policy, the Council's MTFs will be adjusted to reflect the financial implications of these changes. The budget monitoring work is ongoing with the Finance Team working with service areas to review their budget requirements.

East Suffolk Services Limited (ESSL)

- 5.21 East Suffolk Council created ESSL to operate as a Local Authority Trading Company (LATCo) following a thorough review of its partnership with Norse which ended on 30 June 2023. Some functions and staff have transferred to the Council, and ESC budget estimates and profiles for 2024/25 are currently based on data of the previous partnership. With the new arrangement now in operation, the Council and ESSL are currently working together on the budget for 2024/25. Over the budget setting process the Council and ESSL will be working together to build more detailed budget information and it is expected for updates to feed into the MTFs after Quarter 3 of the current year, in readiness for the budget reports in February.

6 RESERVES AND BALANCES

- 6.1 In order to manage its financial affairs soundly, the Council needs to hold an appropriate and necessary level of reserves and balances. These allow it to:
- a) manage its cash flows economically and avoid temporary borrowing pending receipt of income due during the year;
 - b) deal promptly and efficiently with emergencies if they occur;
 - c) take previously unseen opportunities to secure benefits that may arise during the year;
 - d) mitigate reliance on volatile sources of funding;
 - e) set money aside for known events but where the timing or precise amount required is not yet certain; and
 - f) accumulate monies to meet costs that it would be unreasonable for taxpayers to meet in a single year.

- 6.2 In addition to the General Fund balance, the Council keeps a number of earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.
- 6.3 The Council has continued to develop its prudent financial management arrangements, through the development of earmarked reserves to mitigate potential future risks. As issues arise, the potential requirement for an earmarked reserve is considered. New earmarked reserves are formally considered as part of the detailed budget process, to ensure that risks identified are adequately mitigated, and throughout the annual budget monitoring process as risks arise or become clearer.
- 6.4 The detailed budget process includes an assessment of risk, the adequacy of the General Fund balance and a review of earmarked reserves. This review evaluates the need to create and/or change earmarked reserve levels and to also release reserves which are no longer required, thereby becoming a one-off resource for the Council. As part of this year's review it will include a refresh of the reason for/purpose of each reserve, and how and when they can be used.
- 6.5 A risk assessment of the General Fund balances informs the Chief Finance Officer's view of the adequacy of reserves to provide assurance to the budget. Having regard to the financial risks surrounding the budget planning process; the Council has maintained for a number of years a level of General Fund balance at around 3%-5% of its budgeted gross expenditure (in the region of £130 million for East Suffolk). This would equate to maintaining a General Fund balance for East Suffolk, in the region of between £4m and £6m. As of 1 April 2023, the opening General Fund balance of East Suffolk stood at £6m. Given the pressures on council finances and the uncertainty with Government funding going forward it may be prudent to increase this general fund balance to between £6m and £8m.
- 6.6 Further use of the General Fund balance will be evaluated against an assessment of risk, to ensure financial sustainability for the Council is maintained, whilst supporting the strategy direction and ambitions of the Council. The current update of the MTFS does not include any use of the General Fund balance.
- 6.7 One of the key underpinning financial principles of the MTFS is to not use the Council's Reserves (and other one-off resources) as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.
- 6.8 The opening balances for 2023/24 are subject to external audit review and could therefore change.
- 6.9 The total balance of General Fund Earmarked Reserves was £48.57m as of 1 April 2023. Earmarked reserves are categorised into the following groups;
- **Grants/Funding Carried Forward** – this is external funding the Council has received for specific purposes and is drawn down from reserves when spend is incurred.

- **Planned Future Revenue Spending** – Council funding has been set aside for specific service areas and/or projects.
- **Planned Future Capital Spending** – this is revenue funding set aside to provide funding for the capital programme.
- **Risk Based** – Council funding has been set aside for unforeseen budget pressures and fluctuations in budget areas of volatility. The Business Rate Equalisation Reserve is the main reserve within this group. This reserve is held to manage fluctuations in Business Rates income, due to the timing of accounting treatments. The balance on this reserve as of 1 April 2023 was £15.2m. The other key reserve in this group is the In-Year Savings Reserve. Outturn surpluses are typically set-aside in this reserve to support future year budget pressures. The balance on the reserve at the beginning of the current financial year was £3.7m.

6.10 The projected balances on reserves will continue to be reviewed and updated throughout the budget process. The table below shows the current projections for the General Fund Earmarked Reserve over the MTFS, categorised as above. This summary does not include use of reserves to address the updated budget gaps as presented in **Appendix A5**. If the budget gap identified at this early stage of the MTFS for 2024/25, is still present at the end of the budget process, then use of the risk based reserves named above will be made to balance the budget.

East Suffolk General Fund Reserves	Opening Balance 1st April 2023 £'000	MTFS April 2024 £'000	MTFS April 2025 £'000	MTFS April 2026 £'000	MTFS April 2027 £'000
Earmarked Reserves:					
Grants/Funding Carried Forward	6,107	3,961	3,845	3,793	3,742
Planned Future Capital Spending	1,161	1,012	1,155	1,347	1,539
Planned Future Revenue Spending	16,637	13,394	11,435	9,861	8,729
Port Health	3,699	1,277	739	338	0
Risk Based	19,799	19,133	18,118	18,138	18,148
Covid Reserve	1,165	0	0	0	0
Total Earmarked Reserves	48,568	38,777	35,292	33,477	32,158

7 CAPITAL STRATEGY

7.1 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy for the period 2024/25 to 2027/28 will be considered by the Audit & Governance Committee and Cabinet before approval by Full Council on 21 February 2024. Capital planning is about financial investment on the purchase of new assets, the creation of new assets and enhancing and/or extending the useful life of existing assets. The Council aims to achieve the optimum balance between the future needs of East Suffolk, including the need to drive growth, whilst ensuring affordability in the short and long term. Key principles include:

- Developing asset and capital strategies that facilitate a long-term approach to decision-making.
- Ensuring that assets are only held as needed to achieve Council objectives.
- Maximising efficiency in the management and use of assets.
- Ensuring that pressure to achieve short-term savings does not compromise the value of assets through lack of investment.
- Ensuring that capital investment is targeted where it will achieve the greatest long-term benefit.

7.2 Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a major priority. A refresh of the current Asset Management Strategy, which was approved in July 2019, is about to commence and will need to link with the MTFS.

7.3 For the purposes of setting the budget for 2024/25 and medium-term financial planning, the current rolling Capital Programme has been updated to reflect existing projects and the latest capital investment plans for the period 2024/25 to 2027/28 are included.

Capital Programme

7.4 The Capital Programme including both General Fund and the Housing Revenue Account (HRA) is subject to the scrutiny process and formally adopted by Full Council each year. The decision to accept individual projects onto the Programme is driven by the overriding requirement to support the priorities communicated in the East Suffolk Strategic Plan, providing they are affordable.

7.5 As well as adequately maintaining the asset base, a range of other important factors are considered when deciding upon the allocation of General Fund resources. Consideration is given to:

- Legislation – the need for capital investment due to changes in legislation, including those with health and safety implications.
- Resource availability – the sustainability of the Capital Programme is a primary consideration and integral to the MTFS.

7.6 Where required, capital projects are supported by a detailed business case, which demonstrates a set of clear objectives and measurable benefits, as well as detailed financial implications. This includes the on-going revenue implications of a capital project, to ensure these are built into the MTFS revenue assumptions.

7.7 Major capital projects are delivered by dedicated project managers within the Council, with leadership and oversight provided by the Corporate Leadership Team.

7.8 The 2023/24 to 2027/28 Capital Programme was presented to Cabinet on 2 January 2024. Following the Scrutiny Committee on 18 January 2024, the programme will be reported to Cabinet and Full Council on 6 and 21 February 2024 respectively.

EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

- 1.1 The East Suffolk Strategic Plan provides the overarching vision for East Suffolk. In fulfilment of the Plan, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. The Long Term and Medium Term Financial Strategies sit under the Strategic Plan, and combined with other strategies and plans, they support and embrace the strategic direction of East Suffolk.

2 STRATEGY OBJECTIVES

- 2.1 The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.
- 2.2 The specific objectives of the MTFS are to:
- a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;
 - b) plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;
 - c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and
 - d) maintain sufficient reserves and balances to ensure that the Council's long-term financial health remains sustainable.

3 STRATEGY PRINCIPLES

- 3.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

General

There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:

- a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;

- b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;
- c) that the Council's Corporate Leadership Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;
- d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken quarterly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases where significant financial and service performance deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service/Portfolio Holders and reported to Cabinet as appropriate;
- e) that the Council's Corporate Leadership Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and
- f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

General Fund (Revenue)

3.2 In relation to its revenue budgets the Council will:

- a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Strategic Plan, the People Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its consultation and engagement strategies;
- b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain a prudent level of general balances when it sets its revenue budget each year;
- c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities;
- d) review the appropriateness of service delivery between the Council, parishes and other partners;
- e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and

- f) within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

3.3 When considering capital investment, the Council will:

- a) maximise the generation of capital receipts and grants to support its planned investment programmes;
- b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing;
- c) not recognise capital receipts until there is certainty that the receipt will materialise, and these will not be earmarked against specific developments without express Cabinet approval;
- d) allocate its capital resources in line with its Capital Strategy and Asset Management Strategy whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted; and
- e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:
 - i) the business case for any given project; asset management planning
 - ii) affordability in line with the application of the Prudential Code.

Balances and Reserves

3.4 In relation to its balances and earmarked reserves, the Council will:

- a) each year maintain a level of General Fund balances which takes account of the strategic, operational and financial risks facing the Council.
- b) have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure.
- c) review its earmarked reserves, to ensure the rationale for holding the reserves and the amount of the reserves, remain consistent with their purposes and their approach to risk management; and
- d) return reserve balances no longer required to the General Fund as appropriate.

Treasury Management and Investment

- 3.5 The Council will:
- a) having regard to risk, maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy;
 - b) secure the stability of the Council's longer-term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term; and
 - c) having regard to risk, seek to diversify its investment portfolio; maximise investment income; and deliver economic development objectives through the Asset Management Strategy.

4 OTHER CONSIDERATIONS

- 4.1 The Council's spending will have regard to:
- a) the base budget position for the current financial year, adjusted for in year grant changes;
 - b) the Council's medium term priorities;
 - c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;
 - d) demographic and welfare changes;
 - e) consultation outcomes;
 - f) fiscal matters including:
 - price and pay inflation.
 - the effect on the level of General Fund balances and reserves.
 - the impact of any changes to the capital programme on the potential costs of borrowing.
 - triennial revaluation of the pension fund.
 - ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants.
 - achieving budgeted savings from outsourcing, shared services and service reviews.
 - Government funding and funding reform.
 - the likely passporting of some Government departmental savings targets to councils.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p style="text-align: center;">Strategic Risks</p> <p>The absence of a robust Medium Term Financial Strategy could adversely affect the Council’s budget and resource planning and projections.</p> <p>Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.</p> <p>Local Government funding is under continuous pressure and review. Failure to respond to these funding pressures may adversely impact on the Council’s ability to service delivery.</p> <p>Budget pressures arising from housing, economic, social and other demographic changes.</p>	<p style="text-align: center;">L</p> <p style="text-align: center;">M</p> <p style="text-align: center;">H</p> <p style="text-align: center;">H</p>	<p style="text-align: center;">H</p> <p style="text-align: center;">H</p> <p style="text-align: center;">H</p> <p style="text-align: center;">H</p>	<p>Continually monitor and refine the strategy in line with changing influences. Updates to the Corporate Leadership Team and Cabinet.</p> <p>Continuously engage with key stakeholders and taking advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.</p> <p>Take advantage of the Council’s growth opportunities to reduce dependency on government funding. Align service delivery to funding levels, improve exist strategy to minimise risk.</p> <p>Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements, invest in schemes to promote skills and developments.</p>
<p style="text-align: center;">Financial</p> <p>Uncertain medium term sustainability of incentivised income areas subject to Government policy, economic factors, and revaluation e.g. business rates and New Homes Bonus.</p>	<p style="text-align: center;">H</p>	<p style="text-align: center;">H</p>	<p>Constantly monitor information and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Adopt prudent budgeting approach not placing undue reliance on uncertain funding sources.</p>

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p>Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.</p>	H	H	<p>Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.</p>
<p>Budget pressures from demand led services and income variances reflecting the wider economy.</p>	H	H	<p>Monitor pressures throughout the budget process and take timely actions.</p>
<p>Interest rate exposure on investments and borrowing.</p> <p style="text-align: center;">Information</p>	H	M	<p>Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.</p>
<p>The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.</p> <p style="text-align: center;">Operational</p>	H	M	<p>Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.</p>
<p>The Council has entered into strategic partnerships and contracts and is therefore susceptible to economic, social and demographic changes.</p>	L	M	<p>Effective negotiation, sound governance arrangements and review of partnerships performance.</p>
<p>There is a potential risk to the Council if there is a financial failure of an external organisation, providing services to the public on behalf of the Council.</p>	M	M	<p>Ensure rigorous financial evaluations are carried out at tender stage. Consideration of processes to ensure annual review of the successful organisation and review any external auditor comments.</p>

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p data-bbox="421 244 517 272">People</p> <p data-bbox="125 323 669 352">Loss of key skills, resources and expertise.</p> <p data-bbox="398 560 544 588">Regulatory</p> <p data-bbox="125 639 813 700">Changes of responsibility from Government can adversely impact on service priorities and objectives.</p> <p data-bbox="398 756 544 785">Reputation</p> <p data-bbox="125 836 813 896">Loss of reputation if unforeseen resource constraints result in unplanned service reductions.</p>	<p data-bbox="927 323 958 352">M</p> <p data-bbox="927 639 958 668">L</p> <p data-bbox="927 836 958 865">L</p>	<p data-bbox="1160 323 1191 352">M</p> <p data-bbox="1160 639 1191 668">L</p> <p data-bbox="1160 836 1191 865">H</p>	<p data-bbox="1312 323 2063 588">Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My Conversation' programme with staff are satisfied. A new People Strategy has recently been approved.</p> <p data-bbox="1312 639 2033 700">Sound system of service and financial planning in place. Lobby as appropriate.</p> <p data-bbox="1312 836 2063 928">Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.</p>

Band D Equivalent Taxbase by Parish

PARISH	2023/24	2024/25	Difference
Aldeburgh	1,899.17	1,902.89	3.72
Alderton	181.06	181.41	0.35
Aldringham-Cum-Thorpe	606.00	605.16	-0.84
All Saints & St. Nicholas, St. Michael and St. Peter S E	98.83	102.04	3.21
Badingham	235.76	238.42	2.66
Barnby	214.86	216.64	1.78
Barsham and Shipmeadow	134.31	135.65	1.34
Bawdsey	198.00	210.89	12.89
Beccles	3,346.33	3,417.47	71.14
Benacre	32.02	33.00	0.98
Benhall & Sternfield	311.61	318.40	6.79
Blaxhall	112.93	114.84	1.91
Blundeston and Flixton	479.77	483.69	3.92
Blyford and Sotherton	71.90	73.14	1.24
Blythburgh	198.44	198.34	-0.10
Boulge	14.48	14.48	0.00
Boyton	62.44	62.33	-0.11
Bramfield & Thorington	197.96	199.95	1.99
Brampton with Stoven	157.53	156.57	-0.96
Brandeston	146.98	149.31	2.33
Bredfield	151.22	158.61	7.39
Brightwell, Foxhall & Purdis Farm	998.79	991.44	-7.35
Bromeswell	153.62	155.02	1.40
Bruisyard	71.81	72.50	0.69
Bucklesham	205.35	216.46	11.11
Bungay	1,668.62	1,684.00	15.38
Burgh	78.95	79.17	0.22
Butley, Capel St Andrew & Wantisden	118.69	118.26	-0.43
Campsea Ashe	155.80	156.78	0.98
Carlton Colville	2,671.88	2,667.73	-4.15
Charsfield	162.02	168.22	6.20
Chediston, Linstead Magna & Linstead Parva	157.72	153.23	-4.49
Chillesford	75.96	75.82	-0.14
Clopton	142.46	145.99	3.53
Cookley & Walpole	153.25	152.94	-0.31
Corton	588.59	590.47	1.88
Covehithe	13.92	14.14	0.22
Cransford	67.77	71.31	3.54
Cratfield	152.30	154.05	1.75
Cretingham, Hoo & Monewden	208.88	214.14	5.26

PARISH	2023/24	2024/25	Difference
Dallinghoo	82.88	81.79	-1.09
Darsham	228.14	228.12	-0.02
Debach	33.38	32.59	-0.79
Dennington	239.53	239.01	-0.52
Dunwich	85.66	92.04	6.38
Earl Soham	202.51	204.48	1.97
Easton	178.23	178.05	-0.18
Eyke	151.75	152.82	1.07
Felixstowe	8,771.40	8,887.28	115.88
Flixton, St. Cross S E & St. Margaret South Elmham	167.77	166.69	-1.08
Framlingham	1,644.19	1,643.45	-0.74
Friston	208.50	209.85	1.35
Frostenden, Uggeshall and South Cove	172.91	171.31	-1.60
Gisleham	248.94	255.05	6.11
Great Bealings	133.06	132.40	-0.66
Great Glemham	102.19	102.77	0.58
Grundisburgh & Culpho	655.32	664.40	9.08
Hacheston	165.66	180.03	14.37
Halesworth	1,808.83	1,850.61	41.78
Hasketon	186.36	179.69	-6.67
Hemley	26.41	26.73	0.32
Henstead with Hulver Street	138.11	140.35	2.24
Heveningham	61.42	60.34	-1.08
Hollesley	507.88	519.48	11.60
Holton	311.80	310.83	-0.97
Homersfield	59.58	60.97	1.39
Huntingfield	79.71	82.87	3.16
Iken	61.93	62.14	0.21
Kelsale-cum-Carlton	413.65	428.92	15.27
Kesgrave	4,826.19	4,843.74	17.55
Kessingland	1,439.26	1,449.86	10.60
Kettleburgh	108.33	108.03	-0.30
Kirton & Falkenham	557.47	557.16	-0.31
Knodishall	311.92	310.50	-1.42
Leiston	1,957.72	1,987.29	29.57
Letheringham	42.41	42.52	0.11
Levington & Stratton Hall	125.14	122.81	-2.33
Little Bealings	216.46	217.01	0.55
Little Glemham	66.78	69.89	3.11
Lound	127.74	134.89	7.15
Lowestoft	12,926.07	13,032.78	106.71
Marlesford	90.73	89.38	-1.35
Martlesham	2,142.72	2,151.28	8.56
Melton	1,945.62	1,928.05	-17.57

PARISH	2023/24	2024/25	Difference
Mettingham	83.98	89.24	5.26
Middleton	209.69	211.66	1.97
Mutford	186.40	189.39	2.99
Nacton	341.61	340.43	-1.18
Newbourne	112.65	113.73	1.08
North Cove	149.77	152.53	2.76
Orford & Gedgrave	401.90	396.59	-5.31
Otley	327.59	331.12	3.53
Oulton	1,654.14	1,704.08	49.94
Oulton Broad	3,307.43	3,316.03	8.60
Parham	131.13	129.53	-1.60
Peasenhall	245.78	248.41	2.63
Pettistree	87.12	85.36	-1.76
Playford	110.97	112.10	1.13
Ramsholt	12.22	13.72	1.50
Redisham	61.82	62.51	0.69
Rendham	127.13	129.08	1.95
Rendlesham	941.76	955.48	13.72
Reydon	1,196.49	1,199.79	3.30
Ringsfield and Weston	221.74	228.08	6.34
Rumburgh	120.07	119.69	-0.38
Rushmere	34.13	33.81	-0.32
Rushmere St Andrew	2,607.03	2,617.95	10.92
Saxmundham	1,609.94	1,607.64	-2.30
Saxtead	126.45	127.65	1.20
Shadingfield, Sotterley, Willingham and Ellough	182.31	178.58	-3.73
Shottisham	83.44	86.44	3.00
Sibton	96.50	100.30	3.80
Snape	332.72	343.20	10.48
Somerleyton, Ashby & Herringfleet	163.68	163.51	-0.17
Southwold	1,100.22	1,081.77	-18.45
Spexhall	85.54	84.74	-0.80
St. Andrew Ilketshall	116.03	114.63	-1.40
St. James South Elmham	91.17	90.95	-0.22
St. John Ilketshall	20.25	20.25	0.00
St. Lawrence Ilketshall	61.83	63.26	1.43
St. Margaret Ilketshall	70.34	69.85	-0.49
Stratford St Andrew and Farnham	140.49	142.35	1.86
Sudbourne	186.37	187.33	0.96
Sutton	150.97	151.37	0.40
Sutton Heath	374.89	326.79	-48.10
Sweffling	98.89	98.57	-0.32
Swilland & Witnesham	427.46	431.03	3.57
Theberton	150.78	153.41	2.63

PARISH	2023/24	2024/25	Difference
Trimley St Martin	767.41	831.14	63.73
Trimley St Mary	1,268.02	1,279.25	11.23
Tuddenham St Martin	159.80	160.56	0.76
Tunstall	256.12	258.42	2.30
Ubbeston	45.10	46.33	1.23
Ufford	406.54	402.68	-3.86
Walberswick	375.63	374.70	-0.93
Waldringfield	255.28	259.56	4.28
Wangford with Henham	258.05	259.26	1.21
Wenhaston with Mells Hamlet	421.36	417.08	-4.28
Westerfield	248.51	250.33	1.82
Westhall	136.42	133.70	-2.72
Westleton	308.17	308.62	0.45
Wickham Market	829.10	842.92	13.82
Wissett	127.62	126.39	-1.23
Woodbridge	3,389.95	3,378.86	-11.09
Worlingham	1,298.40	1,296.33	-2.07
Wrentham	379.37	385.24	5.87
Yoxford	357.01	358.28	1.27
East Suffolk Council - Total	90,340.92	91,018.73	677.81

NHB RESERVE SUMMARY 2023/24 TO 2027/28

NHB Reserve	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000
NHB Reserve Balance Brought Forward	(5,438)	(3,919)	(3,079)	(1,819)	(683)
NHB In-Year Funding	(447)	(651)	0	0	0
Total NHB Funding in Reserve	(5,885)	(4,570)	(3,079)	(1,819)	(683)
Application of NHB					
Enabling Communities Budget					
55 Councillors * £7.5k	475	412	412	412	0
Ease the Squeeze	0	0	0	0	0
	475	412	412	412	0
Community Partnerships					
8 Partnership * £25k each	295	200	200	200	0
Resourcing & Engagement					
CP Manager	71	74	75	76	0
Communities Officer	25	0	0	25	0
Funding Officer	25	0	0	0	0
Venues for meetings	2	3	3	3	0
Contribution to Suffolk Association Local Councils	10	10	10	10	0
Contribution to Community Action Suffolk	10	10	10	10	0
	438	297	298	324	0
Strategic Community Partnerships - Allocated	298	0	0	0	0
Strategic Community Partnerships - Unallocated	300	300	300	300	0
	598	300	300	300	0
WIFI Implementation on Market Towns					
	61	37	0	0	0
Lowestoft Full Fibre project					
	19	0	0	0	0
Cultural Development					
	72	0	0	0	0
First Light Festival					
	180	170	50	0	0
Safeguarding Officer					
	13	8	0	0	0
Empty Homes Officer					
	83	85	50	0	0
Anti Social Behaviour					
	0	80	0	0	0
Anti Social Behaviour additional requirement					
	0	2	150	100	50
Communities Help Hub - Adults/Families					
	0	7	0	0	0
Communities Help Hub - Money					
	7	83	0	0	0
Place Based initiatives					
Lowestoft Rising	20	10	0	0	0
Total NHB use for the Year	1,966	1,491	1,260	1,136	50
NHB Reserve Balance Carried Forward	(3,919)	(3,079)	(1,819)	(683)	(633)

MTFS Update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total over MTFS period £'000	Comments
Forecast Budget Gaps February 2023	3,511	6,008	6,405	6,405		
<u>Additional Cost</u>						
Green Light Trust	110	0	0	0	110	Contribution to the Green Light Trust to assist the completion of its Eco Hemp Construction Centre (funded from reserves)
Coastal Protection/Drainage	198	9	18	28	253	Repairs & maintenance works for Coastal Protection to catch up with health and safety work programme
Communities - Service Level Agreements to Community, Faith & Social Enterprise Organisations	44	44	44	44	176	Funding increase for Voluntary, Community, Faith and Social Enterprise (VCFSE) organisations integral to delivery of the Council's 'tackling inequalities' ambitions
Contaminated Land	50	0	0	0	50	Environmental Protection investigative works for sites identified
Economic Regeneration	153	747	0	0	900	ESC contribution to the restoration and redevelopment of former Lowestoft Town Hall into a community, heritage and events space to be funded from the Business Rates Equalisation Reserve
Anti-Social Behaviour	162	165	168	172	667	Continuation of staffing support to ensure this area is sufficiently supported to meet demand
Estimated Inflation pressure	200	200	200	200	800	Contingency for on-going inflation pressures
Housing Benefit Subsidy loss	100	100	100	100	400	Pressure from temporary accommodation
HRA Support recharge	204	185	178	137	704	Review of support recharges - Choice Based Lettings revised, increasing General Fund use of the service

MTFS Update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total over MTFS period £'000	Comments
Insurance Renewal	203	229	246	273	951	Inflationary increase
Internal Drainage Board	30	36	47	58	171	Inflationary increase
Lowestoft Temporary Flood Barrier	25	25	25	25	100	Lowestoft Temporary Flood Barrier training and strategy
Miscellaneous Property - East Point Pavilion	116	103	51	14	284	East Point Pavilion revised model of operation (Cabinet 2 Jan 2024)
Miscellaneous Property - Survitec	33	0	0	0	33	Planning Fees for decontamination
Property Planned Maintenance	165	0	0	0	165	Works deferred from 2023/24
Training Budget	110	110	110	110	440	Corporate training
Utilities - Electricity	87	85	85	85	342	Increases arising from footway lighting
Establishment Staffing Changes	1,113	1,101	1,306	1,165	4,685	Establishment changes
Annual Pay award assumption	0	0	0	765	765	Roll over establishment base position
Pay Award 2023/24	720	735	750	765	2,970	Additional cost over and above current budget assumption
Pay Award 2024/25	380	390	395	400	1,565	Contingency for 2024/25 pay award to excess current budget assumption
	4,203	4,264	3,723	4,341	16,531	
<u>Additional Income</u>						
Admin Buildings	(148)	(148)	(148)	(148)	(592)	New lease agreement for ESH Annex
Business Rates	(3,600)	(2,000)	(1,000)	(500)	(7,100)	Increasing assumptions on business rate income due to delays with funding reform
Car Parking Income	(30)	(30)	(30)	(30)	(120)	Income relating to penalty charge notices and off-street parking
Council Tax Income	(100)	(102)	(104)	(632)	(938)	Slight growth in tax base for 2024/25 and Council Tax assumed increase for 2024/25, and roll forward of budget for 2027/28
Council Tax Income - Council Tax Surplus	(140)	0	0	0	(140)	Collection fund surplus
Garden Waste	(27)	(27)	(27)	(27)	(108)	Green waste subscriptions (fee increase compensating for some fall in subscriptions)

MTFS Update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total over MTFS period £'000	Comments
Government Grant	(668)	(13)	243	243	(195)	Provisional Settlement -NHB to continue for one year in 2024/25 (£0.651m)
Industrial Estates	(24)	(24)	(24)	(24)	(96)	Fountains Way Industrial Estate now fully let
Investment Interest Income	(1,441)	(901)	(932)	(776)	(4,050)	Anticipating investment rates to remain high, net of HRA share
Martello Café	(45)	(45)	(45)	(45)	(180)	New lease agreement
Miscellaneous Property	(83)	(83)	(83)	(83)	(332)	Increase in occupancy over the original budget for Business Centres in Leiston and Lowestoft
Planning Application Fees	(376)	(274)	(100)	(100)	(850)	Statutory fee increase and Sanyo/Survitec (HRA contribution in 2024/25 and 2025/26)
Land Charges	(115)	(80)	(80)	(80)	(355)	Following some charges transferred to HMRC, the income lost has been less than original forecast
Purchase Land - Hamilton Road	(79)	(115)	(115)	(115)	(424)	New industrial estate purchased, lease income from the units
Seashore Village Beach Hut Income	(47)	(47)	(47)	(47)	(188)	New beach village in Felixstowe and increased fees and charges for beach huts
	(6,923)	(3,889)	(2,492)	(2,364)	(15,668)	
Savings						
Minimum Revenue Provision (MRP)	(700)	(900)	(1,400)	(1,300)	(4,300)	Reflecting capital programme changes and reduced annuity rate
Ringo admin charge	(125)	(125)	(125)	(125)	(500)	New Ringo Contract (Parking Collection and National Payment Platform)
General savings identified	(178)	(178)	(103)	(103)	(562)	Budget savings identified across some service areas - e.g. supplies and services, subscription budgets
	(1,003)	(1,203)	(1,628)	(1,528)	(5,362)	

MTFS Update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total over MTFS period £'000	Comments
<u>Reduced Income</u>						
Miscellaneous Property	255	255	255	255	1,020	Reduction in property lease income due to administration of Wilko
	255	255	255	255	1,020	
<u>Use of Reserves</u>						
ASB staffing funded from reserves	(160)	(150)	(100)	(50)	(460)	To work towards a reduced funding position for permanent staffing
Business Rates Equalisation	(153)	(747)	0	0	(900)	Restoration and redevelopment of Lowestoft Town Hall into a community, heritage and events space
Transformation Reserve - Environmental	(110)	0	0	0	(110)	Contribution to the Green Light Trust to assist the completion of its Eco Hemp Construction Centre
Short Life Asset reserve	1,832	537	632	902	3,903	To provide a source of funding for short life asset replacement in the capital programme
Capital Reserve	150	100	0	0	250	Revenue funding towards the capital programme
Transfer of NHB to Reserve	651	0	0	0	651	Transfer of in year allocation to support community initiatives
	2,210	(260)	532	852	3,334	
Net Total of MTFS Updates December 2023	(1,258)	(833)	390	1,556	(145)	
Forecast Budget Gaps December 2023	2,253	5,175	6,795	7,961		

Updates to the MTFS between the Cabinet meeting on 2 January 2024 and the Scrutiny Committee on 18 January 2024

MTFS Update	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Comments
Budget Gap Position - Cabinet 2 Jan 2024	2,211	5,131	6,498	7,664	Update following Provision Finance Settlement on 18 December 2023
Government Funding Streams	42	44	297	297	
Budget Gap Position - Scrutiny 18 Jan 2024	2,253	5,175	6,795	7,961	

	Original MTF5 (Feb-23) 2024/25 £	MTFS Updates (Dec-23) 2024/25 £	Forecast MTFS (Dec-23) 2024/25 £	Original MTFS (Feb-23) 2025/26 £	MTFS Updates (Dec-23) 2025/26 £	MTFS Updates (Dec-23) 2025/26 £	Original MTF5 (Feb-23) 2026/27 £	MTFS Updates (Dec-23) 2026/27 £	Forecast MTF5 (Dec-23) 2026/27 £	Original MTF5 (Feb-23) 2027/28 £	MTFS Updates (Dec-23) 2027/28 £	Forecast MTFS (Dec-23) 2027/28 £
Net Cost of Service	46,635,700	3,244,700	49,880,400	47,005,500	3,423,000	50,428,500	47,014,700	2,873,000	49,887,700	47,014,700	3,532,000	50,546,700
Non-Cost of Service Expenditure Adjustments												
Direct Revenue Financing (DRF)	905,000		905,000	805,000		805,000	805,000		805,000	805,000		805,000
Revenue provision for the repayment of debt (MRP)	2,754,900	(700,000)	2,054,900	3,397,800	(900,000)	2,497,800	3,922,700	(1,400,000)	2,522,700	3,922,700	(1,300,000)	2,622,700
Recharges to the Housing Revenue Account (HRA)	(1,420,900)	204,000	(1,216,900)	(1,431,100)	185,000	(1,246,100)	(1,461,700)	178,000	(1,283,700)	(1,461,700)	137,000	(1,324,700)
Bad Debt Provision	(9,300)		(9,300)	(9,300)		(9,300)	(2,900)		(2,900)	(2,900)		(2,900)
Other Accounting Adjustments	25,000		25,000	25,000		25,000	25,000		25,000	25,000		25,000
REFCUS Expenditure	(2,721,400)		(2,721,400)	(2,721,400)		(2,721,400)	(2,721,400)		(2,721,400)	(2,721,400)		(2,721,400)
Other Operating Expenditure												
Town & Parish Precepts	7,094,800		7,094,800	7,094,800		7,094,800	7,094,800		7,094,800	7,094,800		7,094,800
Levies	250,500		250,500	250,500		250,500	250,500		250,500	250,500		250,500
Financing and Investment Income and Expenditure												
Interest Payable	282,000		282,000	282,000		282,000	282,000		282,000	282,000		282,000
Interest Receivable	(1,410,000)	(1,740,000)	(3,150,000)	(1,410,000)	(1,040,000)	(2,450,000)	(1,410,000)	(790,000)	(2,200,000)	(1,410,000)	(640,000)	(2,050,000)
HRA Share of Interest Payable & Receivable	160,200	298,900	459,100	200,400	139,000	339,400	200,400	(142,000)	58,400	200,400	(136,000)	64,400
Other Financing Charges	386,300		386,300	386,300		386,300	386,300		386,300	386,300		386,300
Non-Specific Grant Income												
New Homes Bonus	0	(651,300)	(651,300)	0		0	0		0	0		0
Capital Grants	(400)		(400)	(400)		(400)	(400)		(400)	(400)		(400)
Net Budget Expenditure before Reserve Movements	52,932,400	656,300	53,588,700	53,875,100	1,807,000	55,682,100	54,385,000	719,000	55,104,000	54,385,000	1,593,000	55,978,000
Net Movements on Reserves												
General Fund Balance												
Revenue Earmarked Reserves												
Use of Reserves for Services/Projects/Corporate	(2,536,800)	228,000	(2,308,800)	(1,591,300)	(897,000)	(2,488,300)	(1,176,200)	(100,000)	(1,276,200)	(1,176,200)	(50,000)	(1,226,200)
Use of Covid-19 Reserve	(32,400)		(32,400)	0		0	0		0	0		0
Reserve Balances Not Required	0		0	0		0	0		0	0		0
Use of Reserves to Balance the Budget	0		0	0		0	0		0	0		0
Capital Reserves	92,000	1,982,000	2,074,000	192,000	637,000	829,000	192,000	632,000	824,000	192,000	902,000	1,094,000
Net Budget Expenditure After Reserve Movements	50,455,200	2,866,300	53,321,500	52,475,800	1,547,000	54,022,800	53,400,800	1,251,000	54,651,800	53,400,800	2,445,000	55,845,800

	Original MTFS (Feb-23) 2024/25 £	MTFS Updates (Dec-23) 2024/25 £	Forecast MTFS (Dec-23) 2024/25 £	Original MTFS (Feb-23) 2025/26 £	MTFS Updates (Dec-23) 2025/26 £	Forecast MTFS (Dec-23) 2025/26 £	Original MTFS (Feb-23) 2026/27 £	MTFS Updates (Dec-23) 2026/27 £	Forecast MTFS (Dec-23) 2026/27 £	Original MTFS (Feb-23) 2027/28 £	MTFS Updates (Dec-23) 2027/28 £	Forecast MTFS (Dec-23) 2027/28 £
Financed By:												
Council Tax Income (District Council)	(16,882,000)	(99,400)	(16,981,400)	(17,400,000)	(102,000)	(17,502,000)	(17,922,000)	(104,000)	(18,026,000)	(17,922,000)	(632,000)	(18,554,000)
Council Tax Income (Town & Parish Precepts)	(7,094,800)		(7,094,800)	(7,094,800)		(7,094,800)	(7,094,800)		(7,094,800)	(7,094,800)		(7,094,800)
Council Tax Surplus/Deficit on Collection Fund	0	(140,500)	(140,500)	0		0	0		0	0		0
Business Rates Income (incl. Section 31 Grant)	(20,089,000)	(3,600,000)	(23,689,000)	(19,089,000)	(2,000,000)	(21,089,000)	(19,089,000)	(1,000,000)	(20,089,000)	(19,089,000)	(500,000)	(19,589,000)
Business Rates Surplus/Deficit on Collection Fund	0		0	0		0	0		0	0		0
Business Rates - Enterprise Zone	(490,300)		(490,300)	(490,300)		(490,300)	(490,300)		(490,300)	(490,300)		(490,300)
Lower Tier Services Grant	0		0	0		0	0		0	0		0
Services Grant	(269,000)	269,000	0	(269,000)	269,000	0	(269,000)	269,000	0	(269,000)	269,000	0
Revenue Support Grant	(339,500)	(411,300)	(750,800)	(342,900)	(407,900)	(750,800)	(346,300)		(346,300)	(346,300)		(346,300)
Rural Services Delivery Grant	(260,300)	(30,700)	(291,000)	(262,900)	(28,100)	(291,000)	(265,500)	(25,500)	(291,000)	(265,500)	(25,500)	(291,000)
Funding Guarantee Allocation	(1,519,000)	(111,400)	(1,630,400)	(1,519,000)	(111,400)	(1,630,400)	(1,519,000)		(1,519,000)	(1,519,000)		(1,519,000)
Total Financing	(46,943,900)	(4,124,300)	(51,068,200)	(46,467,900)	(2,380,400)	(48,848,300)	(46,995,900)	(860,500)	(47,856,400)	(46,995,900)	(888,500)	(47,884,400)
Budget Shortfall / (Surplus)	3,511,300	(1,258,000)	2,253,300	6,007,900	(833,400)	5,174,500	6,404,900	390,500	6,795,400	6,404,900	1,556,500	7,961,400

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Policy paper

Local government finance policy statement 2024 to 2025

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Applies to England



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Today I am setting out the government's intentions for the Local Government Finance Settlement (the 'Settlement') for 2024 to 2025. I recognise that providing councils with greater certainty on key aspects of their funding is vital for the budget setting process. In December 2022, we published a policy statement to give councils forward notice of our proposals for the 2024 to 2025 Settlement - this policy statement builds on that by providing additional details of the upcoming Settlement.

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Core Settlement

- We will increase the Revenue Support Grant in line with the Consumer Price Index (CPI) of inflation.
- We have no desire to introduce 'negative Revenue Support Grant'.
- Local authorities will see an increase in baseline funding levels (BFLs) and compensation grant as if both business rating multipliers had increased by CPI. It was announced at the Autumn Statement that the small business rating multiplier will be frozen at 49.9p, and the standard business rating multiplier will increase to 54.6p in line with the September 2022 to September 2023 change in CPI. For 2024 to 2025, BFLs will increase to reflect the uprating of the standard multiplier, and this will be done by using proxy data from the Valuation Office Agency's compiled local rating list, published on 3 April 2023. We will also compensate local authorities for the reduction in income as a consequence of the decision to freeze the small multiplier.
- The government has consulted recently on changes to the way baseline funding levels, top-ups and tariffs are uprated, as well as how to continue calculating compensation for lower than consumer price index increases to the small and standard business rates multipliers. A consultation response will be published shortly before the provisional Settlement consultation is launched.

Council tax referendum principles

The government will continue to protect local taxpayers from excessive council tax increases. The proposed package of referendum principles strikes a fair balance and is an additional local democratic check and balance. The council tax referendum provisions are not a cap, nor do they force councils to set taxes at the threshold level. These actions are to protect hard-working people from excessive tax rises.

The proposed referendum principles are:

- a core council tax referendum limit for local authorities of up to 3%;
- a council tax referendum principle of up to 3% or £5, whichever is higher, for shire district councils;
- an adult social care precept of 2% for all authorities responsible for adult social care services;
- a council tax referendum principle of £13 for police authorities;
- the core council tax principle of up to 3% will apply to fire and rescue authorities; and
- no council tax referendum principles for mayoral combined authorities or town and parish councils, but the government will review the decisions taken by these authorities when considering referendum principles in future years.
- A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority (GLA), as requested by the Mayor of London – while this request will not be opposed, the government is disappointed that London taxpayers are having to foot the bill for the GLA's poor governance and decision-making.

It is for individual local authorities to determine whether to use the flexibilities detailed above, taking into consideration the pressures many households are facing.

Social care grants

The government announced at the 2022 Autumn Statement up to £4.7 billion additional funding for social care and discharge in 2024-25. Furthermore, the Department of Health and Social Care announced £600 million of additional funding in July 2023, which includes £205 million of new grant funding for social care in 2024-25.

Including funding announced at the 2022 Autumn Statement, additional grant resources for social care in 2024-25 will therefore be as follows:

- an additional £692 million will be distributed to local authorities through the **Social Care Grant** for adult and children's social care. This will bring the overall size of the Social Care Grant to £4,544 million. We will continue to equalise against the adult social care precept in the usual way.
- an additional £200 million will be distributed in 2024 to 2025 through the **Discharge Fund** to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care. This will bring the overall size of the local authority component of the Discharge Fund to £500 million.
- the Discharge Fund will be in addition to the existing improved **Better Care Fund**, for which the quantum of £2,140 million and the distribution will remain the same as in 2023-24.
- £1,050 million in 2024 to 2025 will be distributed for adult social care through the **Market Sustainability and Improvement Fund (MSIF)**, which continues to include £162 million per year of Fair Cost of Care funding. It also includes £205 million MSIF - Workforce Funding, a 2-year fund announced in July 2023 which will be rolled into the existing MSIF. In total, the combined MSIF and MSIF Workforce Fund are worth £123 million more than in 2023 to 2024.

For 2023 to 2024, the government set an expectation that the additional funding made available to adult social care should lead to a substantial increase in planned adult social care spending, given the additional resources which were made available in

that year. The Department of Health and Social Care will continue to monitor local authority budgeting and expenditure in 2024 to 2025, with an expectation that the following will be allocated to adult social care:

- an appropriate share of the local authority's additional Social Care Grant allocation for 2024 to 2025, in line with aggregate use of this funding in previous years
- the local authority's share of the 2024 to 2025 MSIF and Discharge Fund
- the resources raised in 2024 to 2025 from the adult social care precept
- we also expect local authorities to make use of the increase in income from unhypothecated sources. We expect spending on adult social care will increase by a necessary share of this income.

There will continue to be grant conditions placed on these grants regarding performance and use of funding to support improvement against these objectives.

Remaining Settlement grants

- The government continues to recognise the importance of protecting the funding position of councils as far as possible. In recognition of pressures across the sector, we will continue to ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels through a Funding Guarantee.
- There will be new rounds of New Homes Bonus (NHB) payments in 2024 to 2025. In line with last year, these payments will not attract new legacy payments. NHB allocations for 2024 to 2025 will continue to be paid for in the usual way, applying the same the calculation process as in 2023 to 2024.
- The Rural Services Delivery Grant will continue as in 2023 to 2024.
- As with last year, the Services Grant will reduce in 2024 to 2025 and the remainder will continue to be distributed by the Settlement Funding Assessment distribution

methodology.

Other areas of the Settlement

- We will be consolidating the Home Office's Fire and Pensions Grant, worth £115 million, into the Revenue Support Grant. This grant will maintain its existing distribution.
- All current enhanced business rates retention areas will continue for 2024 to 2025. During this time the government will continue to review the role of such arrangements as a source of income for areas and its impact on local economic growth, and as part of deeper devolution commitments as set out in the Levelling Up White Paper.
- Where requested, we will proceed with business rates pooling for 2024 to 2025.
- The government asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The government continues to explore ways to move councils away from establishing '4 day working week' practices, as they do not represent good value for taxpayers' money. In the meantime, those councils operating or considering a 4 day working week pattern should stop.
- The Statutory Override for the Dedicated Schools Grant will continue until 31 March 2026.
- Where possible, councils should invest in areas that help place children's social care services on a sustainable financial footing. This includes investment in expanding family help and targeted early intervention, expanding kinship care, and boosting the number of foster carers.

- The National Minimum Allowance (NMA) for foster carers is routinely uplifted each year, taking into account changes in inflation and what is affordable for local government. We have uplifted the NMA by 6.88% for this financial year and full details will be published on Gov.UK.
- Government will work closely with councils to increase transparency around the costs of residential placements for children, as a precursor to wider commissioning and market shaping reforms being rolled out through Regional Care Co-Operatives.
- The Exceptional Financial Support framework is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget, including where there has been local financial failure. Where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.

Technical adjustment to the business rates retention system

- Last year, the government consulted on its proposed approach to a technical adjustment to the business rates retention system in response to the 2023 revaluation and transfers of properties from local lists to the central list. This work delivered on the commitment made at the outset of the business rates retention system, that at revaluations it would adjust local authorities' income to ensure that as far as practicable it is no more, or less, than it would have been had the revaluation not taken place.
- The initial adjustment was implemented in 2023 to 2024, and the government intends to continue with this modified revaluation adjustment for the 2024 to 2025 Settlement, with the methodology and adjustments to tariffs and top-ups published alongside the provisional Settlement.

- Adjustments will account for compiled rating list data for the 2023 list as at 1 April 2023, and for outturn business rates data for 2022 to 2023. The final adjustment will occur at the 2025 to 2026 Settlement. The government will continue to keep the revaluation adjustment under review.

Reform

- The government remains committed to improving the local government finance landscape in the next Parliament.
- At the 2023 to 2024 Settlement, we heard calls from the sector for stability. Now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth. This continues to be the government's position.

Funding outside the Settlement – public health funding

- In addition to the core Settlement, local authorities will continue to receive funding to provide a range of public health services. Indicative allocations for the Public Health Grant in 2024 to 2025 [have been published](https://www.gov.uk/government/publications/public-health-grants-to-local-authorities-2023-to-2024) (<https://www.gov.uk/government/publications/public-health-grants-to-local-authorities-2023-to-2024>) and will continue to increase to nearly £3.6 billion. Further specific investment will continue to improve the start for life offer and support improvements in the quality and capacity of drug and alcohol treatment. We are also providing a further £70 million per year from 2024/25 to support local authority-led efforts to stop smoking. This total funding package will deliver a real terms increase of more

than 7% in DHSC investment in local authority public health functions over the 2 years 2023 to 2024 and 2024 to 2025.

Next steps

We will set out further detail on measures in the Settlement, including allocations, and consult on them at the provisional Settlement later this calendar year before the House rises for the Christmas recess. We will then consider responses to the consultation, before publishing a final Settlement in the new year.

The Settlement measures above are therefore subject to change following the consultation. In previous years, we have made changes following the provisional Settlement consultation. In recent years these changes have included very small adjustments to New Homes Bonus allocations following updated data, and uplifts grants such as the Rural Services Delivery Grant.

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Local Government Finance Policy Statement 2024-25

Settlement component	2024-25
Locally retained business rates - baseline funding levels	<ul style="list-style-type: none"> Local authorities will see an increase in baseline funding levels (BFLs) and compensation grant as if both business rating multipliers had increased by Consumer Price Index of inflation
Locally retained business rates - Under indexation	<ul style="list-style-type: none"> Increase to compensate for the difference between the business rate multipliers and the consumer price index of inflation
Revenue Support Grant	<ul style="list-style-type: none"> Increase by the Consumer Price Index of inflation Roll the £115m fire pension grant into the Revenue Support Grant. This grant will maintain its existing distribution.
Council Tax	<ul style="list-style-type: none"> A core council tax referendum limit for local authorities of up to 3% A council tax referendum principle of up to 3% or £5, whichever is higher, for shire district councils An adult social care precept of 2% for all authorities responsible for adult social care services A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority A council tax referendum principle of £13 for police authorities The core council tax principle of up to 3% will apply to fire and rescue authorities No council tax referendum principles for Mayoral Combined Authorities or town and parish councils
Social Care Grant	<ul style="list-style-type: none"> Increase by £692m to £4,544m
Discharge Fund	<ul style="list-style-type: none"> Increase by £200m to £500m
Improved Better Care Fund	<ul style="list-style-type: none"> No change at £2,140m
Market Sustainability and Improvement Fund (MSIF)	<ul style="list-style-type: none"> Increasing to £845m and combining with MSIF – Workforce Fund (£205m in 24/25) increases the total value to £1,050m
Funding Guarantee	<ul style="list-style-type: none"> Ensure all authorities see a 3% core spending power increase before any decision on organisational efficiencies, use of reserves, and council tax levels
New Homes Bonus	<ul style="list-style-type: none"> Maintain the 2023-24 approach, making 2024-25 in-year payments only
Rural Services Delivery Grant	<ul style="list-style-type: none"> No change at £95m

Services Grant	<ul style="list-style-type: none">• As in 2023-24, the Services Grant will reduce and the remainder will continue to be distributed using the Settlement Funding Assessment distribution methodology
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PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

1 OVERVIEW

- 1.1 On 5 December 2023, a Policy Statement announced the key principles that ministers intended to use in the provisional settlement:

<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2024-to-2025>

<https://questions-statements.parliament.uk/written-statements/detail/2023-12-05/hcws95>

- 1.2 The Policy Statement gave local authorities advanced notice of the principles that ministers would use in the 2024/25 local government finance settlement.
- 1.3 The Government published the Provisional Local Government Finance Settlement for 2024/25 on 18 December 2023 and now provides financial values to the principals set out in the Policy Statement:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025>

<https://questions-statements.parliament.uk/written-statements/detail/2023-12-18/hcws148>

- 1.4 There is a consultation on the provisional settlement which runs for four weeks and the government is seeking views by 15 January 2024.
- 1.5 The final 2024/25 settlement is expected to be laid before the House of Commons, for its approval, in late January or early February 2024.
- 1.6 Other than another year of New Homes Bonus, the overall position on other funding presents no significant change in financial terms to the Council from the February 2023 MTFS position for next year. The most significant change to the Council is the complete removal of the Services Grant which has been compensated for with increases in other grants.

2 COUNCIL TAX

- 2.1 The Government has confirmed the following referendum principles for 2024/25;

- Shire districts will have a referendum principle of up to 2.99 per cent or £5, whichever is higher. No change from the Policy Statement or from last year.
- Social care authorities will be able to set a 2 per cent adult social care precept without a referendum (in addition to the existing basic referendum threshold referred to above).
- £13 for police authorities and police and crime commissioners.
- No referendum principles will be set for parish and town councils.

3 **BUSINESS RATES RETENTION SCHEME (BRRS)**

- 3.1 The Non-Domestic Rating Act 2023 gives ministers the power to set the small and standard business rating multipliers separately from one another. Until 2023/24, these two multipliers had to be increased by the same percentage.
- 3.2 In last month's Autumn Statement, the Chancellor decided to use this new power in 2024/25. The small business rating multiplier will be frozen (it will remain at 49.9p). The standard multiplier (payable by businesses with premises valued at more than £51,000) will increase from 51.2p to 54.6p. Until 2024/25, the standard multiplier was fixed at 1.3p higher than the small multiplier; in 2024-25 it will be 4.7p higher.
- 3.3 To date, the BRRS has been linked to the small multiplier (49.9p): all the baselines have been uplifted using the change in the small multiplier, and the cap compensation fraction has been calculated with reference only this multiplier. Now that the two multipliers are increasing by different amounts (and this is likely to continue in the future), the baselines will have to be indexed differently. The government is proposing that "a weighted average, specific to each authority, will be used to index" baselines and tariffs and top-ups (and T/TUs).
- 3.4 Business Rates pooling and pilots will continue in 2024/25, and Suffolk Chief Finance officers have received a letter from DLUHC confirming that the Suffolk Business Rates Pool will operate in 2024/25.
- 3.5 Business rates and Section 31 Grant estimates for 2024/25 that are currently included in the General Fund Budget and MTFS will be revised following confirmation of relevant details in the Settlement and will be based on the NNDR1 return to Government, which is due to be completed by 31 January 2024.

4 **FUNDING**

4.1 **Revenue Support Grant (RSG)**

Methodology for RSG has not changed, and for 2024/25 RSG will increase at 6.62% (September CPI). There will continue to be no adjustment for "negative RSG". Family Annex Council Tax Discount Grant and LCTS Administration Subsidy grant have again been rolled into RSG in 2024/25.

4.2 **New Homes Bonus (NHB)**

New Homes Bonus (NHB) will continue for one year, but there will be no more legacy payments. This is the fifth year of one year NHB allocations and likely to be the final year, but it is not yet clear what a replacement system will look like.

4.3 **3% Funding Guarantee**

The 3% Funding Guarantee was introduced in 2023/24 to ensure that no council has less than 3 per cent increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. The funding is set to continue for 2024/25.

4.4 **Services Grant**

In the December 2022 Policy Statement, ministers said that the core grants would “continue as they are now” in 2024/25. By implication, this included the Services Grant. In the Policy Statement earlier this month, there were indications that ministers were considering making cuts to Services Grant – but nothing was made explicit. However in the Provisional Settlement this grant has been cut significantly. This appears to have been used to fund increases to other settlement grants and equalisation of the adult social care precept. The government also intends to hold a small proportion of the grant back as a contingency for unexpected costs between the provisional and final settlement. This grant has been removed completely for the Council in the Provisional Settlement.

4.5 **Rural Services Funding**

This grant has continued for 2024/25 using the same methodology recognising the additional costs rural areas face.

4.6 **Capital Receipts**

Flexibilities over the use of capital receipts will be extended to March 2030.

4.7 **Funding Summary**

A summary of the funding changes (excluding any Business Rate measures) arising from the settlement compared to the assumptions in the February 2023 Medium Term Financial Strategy is shown in the table below.

East Suffolk Council

Provisional Local Government Finance Settlement 2024/25 (One Year Settlement) – Funding Allocations

Funding Allocations	ESC February 2023 MTFS 2024/25 £	DLUHC Provisional Settlement 18-Dec-23 2024/25 £	Funding Change between February 2023 MTFS assumptions and the Provisional Settlement (Additional)/Less Grant Income 2024/25 £	Comments
Services Grant	(269,000)	0	269,000	This grant has been removed completed for the Council.
Revenue Support Grant (RSG)	(339,500)	(750,800)	(411,300)	Provisional Settlement includes - 2023/24 RSG increased by 6.62% (£59,200) to £398,700, plus other grants rolled into RSG. This includes the Family Annexe Council Tax Grant and Local Council Tax Scheme Administration Grant, totalling £352,100.
Rural Services Delivery Grant	(260,300)	(291,000)	(30,700)	Roll forward of the 2023/24 grant.
Local Council Tax Scheme Admin Subsidy Grant	(267,600)	0	267,600	The provisional settlement proposes to roll this grant into the Revenue Support Grant above for 2024/25.
Funding Guarantee Allocation	(1,519,000)	(1,630,400)	(111,400)	This funding was introduced last year to ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels.
New Homes Bonus	0	(651,300)	(651,300)	Another one year allocation.
Total	(2,655,400)	(3,323,500)	(668,100)	

Source: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025>